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ABSTRACT

This is a compilation of selected articles and a bibliography on the 1978-79 intercollegiate debate proposition: Resolved, that the Federal Government should implement a program which guarantees employment opportunities for all U.S. citizens in the labor force. The introduction briefly reviews the United States post-World War II history of employment policy and legislation. Ten articles provide a wide range of views. The articles are as follow: "The Goal of Genuine Full Employment," by Helen Ginsburg; "Can Government Guarantee Full Employment?" by Emerson P. Schmidt; "Why We Have No Full Employment Policy," by James K. Galbraith; "Securing Total Employment: The Role of Government," by James O'Toole; "Against a Federal Guaranteed Employment Program," by Dave M. O'Neill; "Controversy over the Humphrey-Hawkins Proposals to Control Unemployment: Con," by Michael Markowitz; "High Employment and Income Maintenance Policy," by the United States Chamber of Commerce; "Fighting Poverty with Jobs: Public and Private Payroll Weapons," by James L. Freund; "JOIN: a Jobs and Income Program for American Families," by Robert I. Lerman; and "Employment Guarantees Should Replace the Welfare System," by Arnold H. Packer. Finally, there are sections containing a selected bibliography and a resource guide to the following topic: the Federal Government's role in guaranteeing full employment opportunities. (CSS)

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Should the Federal Government Implement a Program Which Guarantees Employment Opportunities for All U.S. Citizens in the Labor Force?

Intercollegiate Debate Topic
1978-1979

Pursuant to Public Law 88-246

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PUBLIC LAW 88-246, 88TH CONGRESS, S. 2311, DECEMBER 30, 1963

AN ACT To provide for the preparation and printing of compilations of materials relating to annual national high school and college debate topics

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Librarian of Congress is authorized and directed to prepare compilations of pertinent excerpts, bibliographical references, and other appropriate materials relating to (1) the subject selected annually by the National University Extension Association as the national high school debate topic and (2) the subject selected annually by the American Speech Association as the national college debate topic. In preparing such compilations the Librarian shall include materials which in his judgment are representative of, and give equal emphasis to, the opposing points of view on the respective topics.

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Approved December 30, 1963.

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FOREWORD

The intercollegiate debate topic for the academic year 1978–79 selected by the Committee on Intercollegiate Debate and Discussion of the Speech Communication Association, is

Resolved, That the Federal Government should implement a program which guarantees employment opportunities for all U.S. citizens in the labor force.

The Congressional Research Service has prepared this compilation of articles and bibliography on the debate proposition in compliance with Public Law 88–246. These materials are not intended to provide exhaustive coverage of the subject but only to furnish debaters with a start on their own research. While the articles and references have been chosen to represent a range of views and a variety of approaches to the problems raised by the topic, their inclusion does not imply any kind of approval or disapproval or recommendation of line of argumentation by the Congressional Research Service. The articles in this document were selected and the bibliography was prepared in final form by Dennis M. Roth, Analyst in labor Economics and Relations in the Economics Division. The bibliography is drawn in part from the CRS Bibliographic Data Base created and maintained by the Library Services Division. Kurt Beske, Economics Bibliographer designed the retrieval strategies which produced the working bibliography.

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GILBERT GUDE,
Director, Congressional Research Service.

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INTRODUCTION

The United States came out of World War II with the determination that a Great Depression must not occur again and that the maintenance of a high level of employment should be a major policy goal of the Federal Government. The theoretical rationale for the Government assuming this role was provided by J. M. Keynes in his now famous The General Theory of Employment, Interest and Money. He argued that employment depends on the level of total spending on goods and services (aggregate demand), but that the economy on its own may not necessarily reach a level of demand to generate jobs for all those who want to work. Total spending may be required to be stimulated through Government action and particularly through fiscal policy.

The issue of maintaining high levels of employment after the war was debated in congressional hearings concerned with setting up machinery for reconversion when the war had ended. In January 1945 Senator James Murfy introduced the Full Employment Act of 1945 into the 79th Congress (S. 380) and in the following month Congressman Wright Patman introduced the companion bill into the House (H R. 2202). More than a year later, after many congressional debates, amendments, and restructuring, Congress voted out the Employment Act of 1946 and it became law on February 20, 1946. The Act explicitly stated that it is "the continuing policy and responsibility of the Federal Government . . . to promote maximum employment, production, and purchasing power."

The precise role of the Government in promoting "maximum employment" has been heavily debated ever since, but no legislation has been passed to date specifically to define this role nor to define "maximum employment." In the 93rd Congress, a bill was introduced by Congressman Augustus Hawkins and Senator Hubert Humphrey ("Equal Opportunity and Full Employment Act of 1976") to amend the Employment Act of 1946 to guarantee equal opportunities and full employment to all adult Americans who were able and willing to work. This early version of the Humphrey-Hawkins bill defined full employment as "a situation under which there are useful and rewarding employment opportunities for all adult Americans willing and able to work." The provisions of the bill also would have established a structure to provide (in actuality, to guarantee) "suitable" jobs for all adult Americans who were "able and willing" to work, and would have gone so far as to establish a "judicially enforceable right to sue [the United States Government] if the right to employment, established, guaranteed and implemented by the Act" were not enforced. While the legal right to sue is not in the version of the Humphrey-Hawkins bill currently before the 95th Congress, this version does amend the declaration of policy in the Employment Act of 1946 to affirm that "[t]he Congress further declares and establishes as a national goal the fulfillment of the right to full opportunities for useful paid employment at fair rates of compensation of all individuals able, willing, and seeking to work."

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A. RESOLVED: THAT THE FEDERAL GOVERNMENT SHOULD IMPLEMENT A PROGRAM WHICH GUARANTEES EMPLOYMENT OPPORTUNITIES FOR ALL U.S. CITIZENS IN THE LABOR FORCE

1. THE GOAL OF GENUINE FULL EMPLOYMENT*

(By Helen Ginsburg)

THE GOAL OF GENUINE FULL EMPLOYMENT

The goal should be genuine full employment. Each person willing and able to work should have the right to a decent job at a decent wage. There should be a strong national commitment to full employment with appropriate legislation to insure that this goal is attained.[1]

A genuine full employment policy is not simply a public service job program. Such a program cannot by itself guarantee each individual the right to a job. Although a greatly expanded public service jobs program could be and should be a step on the road to full employment, and public service jobs would play a vital role in a full employment economy, a full employment strategy requires much more than the creation of public service jobs. It would make little sense, for example, to continue to pursue policies that create unemployment and then create a few public service jobs to compensate partially for the wrong policies.

A full employment commitment would make it the responsibility of the federal government to develop, coordinate, and administer short-term and long-term policies that would make it possible to provide enough jobs for all who want them. All agencies of the federal government and the Board of Governors of the Federal Reserve System would be required to act in accordance with this objective. Fiscal and monetary policies would be coordinated and anti-inflation policies pursued without curbing employment.

The production level of the nation would have to be set high enough to absorb the labor supply. Setting this level should provide the nation with the opportunity to rethink the purposes of production. National priorities and social goals could and should be intergrated with the full employment objective. While most of the jobs would be in the private sector of the economy and job development in that sector would be encouraged, the federal government would have the obligation to make up for any shortfall in employment.

There are many possible areas of expanded job development in the private and public sectors of the economy that would be consistent with broad social goals. A partial list might include increased production of new housing and upgrading of existing housing to achieve a decent home for every family within a specified period of time, improving and expanding railroads and mass transit systems, provision of adequate day care for those who want it, assistance to the aged and disabled, improvement of the environment, regional development of depressed areas, making our cities more attractive, expanding and improving educational opportunities, and the extension of cultural activities to more of the population.

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*Helen Ginsburg. The goal of genuine full employment. In her unemployment, subemployment and public policy. New York, New York University, School of Social Work, Center for Studies in Income Maintenance Policy, 1975: 128–133. Reprinted by permission of Helen Ginsburg, Assoc. Professor, Dept. of Economics, Brooklyn College, City College of New York. Copyright 1975.

[1] The House Subcommittee on Equal Opportunities is currently studying a bill that would guarantee jobs—H.R. 50, the Equal Opportunity and Full Employment Act. A companion bill has also been introduced in the Senate. Some ideas discussed in this section are in H.R. 50 but that bill is more comprehensive.

A full employment policy should be coordinated with a general tax reform and a reordering of national priorities away from the huge military budget. It makes little sense and is unjust to provide jobs to low- or modest-income people and then make them or those just above them on the income scale bear the brunt of the taxes. Moreover, in a full employment economy, it would be far easier to begin to reorder national priorities from military uses to areas of crucial social need, since careful planning would insure that workers in defense industries would not have to pay for conversion with unemployment. Many new areas of job creation would involve human services, and experience from the New Careers program of the 1960's shows that many of these jobs can be performed by poor persons.[2] Moreover, these jobs use few natural resources, so a genuine full employment economy would be consistent with the goal of conservation of energy and other natural resources.

A full employment economy with a guaranteed job at a decent wage vested in the individual would have a major impact on poverty. Poverty's elimination could easily be made a national priority in a full employment economy. In 1972, when the grossly inadequate SSA poverty threshold was $4,275, 11.3 million persons with incomes below the poverty line were in 2.7 million families headed by someone who worked at least part of the year. Some 4.6 million of these persons were in one million families headed by a full-time full-year worker.[3] Provision of guaranteed decent-paying jobs would end much of this official poverty—though some very large families or those headed by someone only able to work part of the year would still require additional support.

There is an urgent need for a substantial increase in the federal minimum wage. It has been consistently set below any level that would enable a steady full-time worker to support a family in minimal decency. In December 1974, the poverty line for an urban family of four was officially estimated by the government to be $5,302 a year, but the new federal minimum wage of $2.10 an hour that went into effect on January 1, 1975, still only enables a workers getting that wage to earn $4,200, if working all year at a full-time job. Moreover, many workers are not even covered by the law and some are covered at less than $2.10 an hour. A substantial increase in the minimum wage well above the poverty level is needed at once and coverage of all workers should not and need not await a national commitment to full employment. But it would be easier to implement a much higher minimum wage as an integral part of a full employment and guaranteed jobs policy. Those who oppose substantial increases in the minimum wage have always claimed that many low-wage workers will lose their jobs if the minimum is set too high. The fact is that there has never been an increase in the minimum that brought it close to any decent level, so their assertion remains unproven. But in a full employment economy, the government could assist low-wage industries to enable them to pay higher wages. And if any labor displacement did occur, the workers would still be guaranteed other decent jobs.

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[2] Frank Riessman, "Strategies Against Poverty" (New York: Random House, 1969), pp. 20–40.

[3] U.S. Bureau of the Census, Current Population Reports, Series P–60, No. 91, Characteristics of the Low Income Population, 1972 (Washington, D.C.: Government Printing Office, 1973), Table A–2, p. 143, Table 30, p. 97, and Table 32, p. 101.

A full employment policy with decent-paying guaranteed jobs would reduce the pressure on the income maintenance system. There would be much less need for unemployment insurance. Welfare mothers who want to work would be assured of adequate-paying jobs and day care facilities. The future need for welfare would be reduced by providing jobs and giving hope to ghetto youths. Some disabled and older persons would opt for jobs. A more generous income maintenance system could and should be provided for those still requiring support. Jobs at decent wages and income maintenance at decent standards should be twin goals of a full employment policy.

A genuine full employment policy is not a substitute for continued pursuit of equal opportunity. Indeed, it would provide the necessary conditions under which that goal might be more readily attained. And the tensions that result when some workers fear that more jobs for one group mean fewer for another might be expected to abate when jobs for all are guaranteed.

Many other benefits that would result from a full employment economy could be cited. Millions of employed workers would benefit from the elimination of insecurity and the threat to their own working standards caused by recessions. More taxes would be collected from those who previously required public support and the fruits of their labor would contribute to the nations' output of goods and services; there would be fewer expenses that stem from poverty, inequality, and lack of opportunity. There would, for instance, be a probable reduction in the incidence of crime since, as the National Commission on the Cause and Prevention of Violence noted, unemployment and subemployment pull many individuals into cirminal activities.[4] Therefore, fewer tax dollars would be needed to support prisons. And the quality of life in a crime-ridden nation would be improved.

A national commitment to full employment is not a panacea for all the problems that plague society. But it would make it much easier to solve some of them. It should be pursued for that reason and because it would provide many Americans with the chance to attain the human dignity they are now denied. For a full employment program transcends mere economics. It tells people they are needed and wanted and not objects to be discarded at will by society. Genuine full employment cannot be achieved overnight. But the commitment to this goal should be made immediately.

Summary of Conclusions and Recommendations

If employment and subemployment are to be eliminated, severa sets of policies will be necessary.

An immediate priority is for the federal government to use all its power to end the present recession as quickly as possible. To ease the financial hardship of unemployment and to reduce the need for welfare all workers should be covered by unemployment insurance at decent levels and without limiting benefits to a certain number of weeks. But jobs are required and a *massive* federally financed public service employment program should be instituted at once, with part of the funds going to cities and states, as at present, and with part going to establish a federal jobs agency. A large and permanent public service program should also be maintained in nonrecessionary times. A vigorous assault on discrimination in the job market and in other institutions is necessary, as is the need to raise the minimum wage to a level that will enable workers to live decently. Many of these proposals, such as pursuit of equal opportunity and substantial increases in the minimum wage, will be easier to accomplish in a full employment society.

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[4] National Commission on the Causes and Prevention of Violence, To Establish Justice, To Insure Domestic Tranquility (Washington, D.C. : 1969), pp. 27–37.

Finally, the Nation is urged to accept the ultimate goal of genuine full employment with guaranteed jobs backed up by appropriate legislation. Implementation of this policy should be tied to a general tax reform and a reordering of national priorities towards achieving the twin goals of decent jobs at decent wages and income maintenance at decent standards.

2. CAN GOVERNMENT GUARANTEE FULL EMPLOYMENT?*

(By Emerson P. Schmidt [1])

INTRODUCTION

The depression of the 30's and the resulting unemployment raised questions as to the possibility of eliminating or alleviating such periods through action by private business, or by government, or through the cooperation of both. Many people have assumed, because the war produced full employment, that government could provide means for eliminating unemployment in peace time. Such thinking overlooks the fact that war justifies the overriding of the rights of individuals and that so-called "war prosperity" is the result of borrowing money which must be repaid out of future income from trade, manufacturing and service. Consideration given to the depression in the 30's and full employment resulting from the war has tended to popularize the views of those who would subordinate the liberties of individuals in order to achieve a high level of employment through a planned economy under government auspices.

It is time that those who have to make the decisions as to legislation and those who would have to bear the burden recognize the dangers in a planned economy such as is contemplated under legislation now advocated in Great Britian and the United States.

Rather than attempting to maintain a high standard of living and a high level of employment through government planning and direction, we should encourage the building of a strong internal economy based on individual freedom in this country. In addition to providing for our own well-being, this is desirable because of the impact of conditions in this country on the rest of the world.

From a longer-term standpoint, the hope for enduring world peace which is uppermost in the minds of everyone today must rest on the cooperation of strong nations, made up of independent-thinking, free citizens living in a free economy, believing in their own institutions, and willing, if necessary, to oppose attempts to achieve peace, prosperity and happiness on a permanent basis through economic war or conquest.

This Bulletin, which is the work of Dr. Emerson P. Schmidt, Director of the Chamber's Economic Research Department, is designed to shed some new light on the instruments, devices and power which a national government must employ if it is to guarantee full employment. If we desire to attain this end or goal through government guarantees, are we prepared to employ the necessary means?

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*Emerson P. Schmidt. Can government guarantee full employment? Washington, Chamber of Commerce of the United States, 1945. 26 p. (Post-war readjustments bulletin No. 13). Reprinted by permission of Chamber of Commerce of the United States, 1615 H Street, N.W., Washington, D.C. 20062. Copyright 1945.

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J. CAMERON THOMPSON, *Chairman,*
Committee on Economic Policy.

MARCH, 1945.

CAN GOVERNMENT GUARANTEE FULL EMPLOYMENT?

The long depression of the 1930's, followed by the intense economic activity during the war, has turned the mind of man everywhere to the problem of overcoming depressions and maintaining high levels of employment. There is so much agreement on the desirability of these objectives that further discussion of their merits can serve little purpose.

A dictatorship—fascist, socialist or communist—controlling prices, wages and workers, can secure and maintain full employment so long as its power endures. Whether a free society can shoulder upon government a responsibility for sustained full employment and yet remain a free society certainly remains to be demonstrated. We have no historical evidence that it can.

Yet, political pressure is forcing many free societies to make the effort to guarantee full employment. This Bulletin is concerned with three "full employment" plans, two public and one private, as follows:

1. Employment Policy—Ministry of Reconstruction, England, 1944.
2. Full Employment in a Free Society—Sir William Beveridge, 1944.
3. Senator Murray's Full Employment Bill, S. 380, 79th Congress, 1945.

Each of these documents develops a government-sponsored program. After describing each briefly we shall turn to an analysis of their political implications.

I. EMPLOYMENT POLICY

The opening sentence of the official British White Paper (Cmd. 6527) on EMPLOYMENT POLICY states: "The Government accept as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war."

The blueprint for accomplishing this objective has many facets, only the most important of which will be discussed. The White Paper (and the other two documents) are based on the view that otal-expenditures must be maintained. These expenditures (ignoringt for eign trade balance) fall into four groups:

1. Private consumption expenditures.
2. Public expenditure on current services.
3. Private investment expenditures.
4. Public investment expenditures (public works and enterprises).

Since the instability of consumption expenditures are said to be largely a result of *investment* instability, most of the effort is to be made to stabilize total investment. But how?

First, under the British Government plan the whole system of public works, from those carried on by the smallest rural or urban unit to those under the control of parliament, is to be coordinated. All government units will be required to estimate annually their public works requirements for the next five years. Yearly the central government will set a "target" of public works for the whole economy with the size depending on the *estimates* of *probable* unemployment. The plan is to be controlled centrally through loan sanctions and grants-in-aid. This same plan is to be applied to the public utilities.

Second, private investment is to be encouraged at the onset of depressions, through two devices: (1) lowering the interest rates for borrowed capital, which rates presumably are increased during previous periods of business booms; (2) well established business concerns, with a strong financial position and reasonably assured of future expansion, are to be encouraged to adopt consciously a contra-cyclical policy of plant expansion at the onset of depressions, These businesses can be convinced, it is argued, that plant expansion and renovation in a depression period is less costly, and that they must assume a social responsibility to help the government prevent unemployment.

Obviously, this contra-cyclical public works program and the suggestion that private enterprise expand plant in depressions are not new. In 1931 the United States government adopted a somewhat similar public works program (on paper) and President Hoover did his best to stimulate private investment in 1930–32. It is necessary to mention this difference: The British now seem ready to develop and implement an over-all contra-cyclical program of public and private works; the pattern has been laid and the central government is prepared to take all necessary steps (although Parliament has not acted as yet).

Third during impending depression, social security and possibly other tax rates are to be drastically reduced in order to leave in the hands of the employed population a larger sum for immediate expenditure. Since, after the war, a very large portion of the total national income will filter through public treasuries, it is believed that such a program of relaxing tax collections during bad times will help sustain employment and purchases. This is deliberate planning to enlarge the deficit in the government's accounts.

Fourth, the government, during threatening depression, will purchase heavily for its own needs, stock piling the surplus to be used up during subsequent periods when private demand again is brisk. The report cautiously urges the exploration of the idea of government buying ordinary commodities during slack periods and reselling them for ordinary private consumption when prosperity returns.

The foregoing is the heart of the official policy of the present British government. Many devices and instruments are to be forged for carrying out this program. Labor mobility is to be improved through the employment exchanges, retraining programs, and positive efforts to move people from areas and industries of low opportunity to ones where openings are in more abundance. Closely tied to this program is a program of "controlled industry location." New plants, including extensions of old ones, will require government approval. Special financial and other incentives will be used to locate productive facilities in accordance with the government plan.

Because of the importance of *advance* knowledge, in regard both to public and private plans on the one hand, and in regard to prospective levels of economic activity on the other hand, a special effort will be made to secure much more detailed statistical materials of current and pending plans than was true in the pre-war period. The following are the principal classes of new information to be collected regularly:

1. Statistics of employment and unemployment, including quarterly or monthly statements of present and *prospective* employment in the main industries and areas in the country, based on returns from employers.
2. Regular information relating to savings and *projected* capital expenditure by public authorities, and, as far as possible, by private industry.
3. An annual census of production showing the structure of the main groups of industries in the preceding year, including, *inter alia*, details of the quantity and value of output, stocks and *work in progress*.
4. Monthly figures of production, consumption and stocks, and, if possible, figures of *orders on hand*, based on sample returns obtained periodically throughout the year from large firms, trade associations, and public institutions.
5. Annual and quarterly estimates of foreign capital movements and balance of foreign payments.

The emphasis, it should be noted, is on *prospective* behavior as indicated by the words and phrases which we have italicized.

Thus the White Paper, in effect, states that if the government is to assume responsibility for jobs through central planning, many private decisions must give way to public decisions, the central government must have the authority, power and weapons to implement that responsibility. Unfortunately, the White Paper does not discuss the problem of maintaining freedom under such a policy; but it does recognize that if people do not cooperate with the government plan, the plan must break down.

II. MURRAY FULL EMPLOYMENT BILL

This bill, introduced in the U.S. Senate in Januray, 1945, states: All Americans able to work and seeking work have the right to useful . . . employment . . . and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans . . . to exercise this right.

Under the bill, the federal government assumes responsibility to pursue policies which will encourage the highest level of employment through private and other nonfederal investment and expenditures and, only when this fails to absorb the total labor supply, will it resort to federal expenditure to complete the task.

At the beginning of each regular session the President shall transmit to Congress a National Production and Employment Budget which sets forth:

1. The size of the labor force

2. The estimated volume of investment and consumption expenditure by both private and public authority necessary to absorb the total labor force
3. The estimated deficiency in No. 2 above.

When a prospective deficiency looms over the horizon, the President is, first, to set forth in this annual special Budget a program for encouraging nonfederal expenditure. Then he must make up his mind as to what effect these stimuli to nonfederal expenditure will have, and if he concludes that a deficiency remains he is to make recommendations to Congress for supplementary federal expenditures. Evidently this will require a somewhat higher order of economic insight into the economic process than we have ordinarily expected from our Presidents or their advisers.

The foregoing task of estimating may look simple and feasible, until we try to envisage what it means. Obviously, for the President to make such an estimate would require the same type of detailed figures, forecasts and guesses, for which the British White Paper called. (See page 6, above.) For a country as large and varied as the United States, the acquisition of the investment and consumption expenditure plans of our 3 million business units, our 6 million farmers, our 135 million people and 165,000 government units, would be a prodigious, indeed an impossible, task.

Yet the success of this program would be dependent, in part, upon a reasonably accurate estimate. Furthermore, unless the government acted promptly on the deficiency indicated, we might be in the midst of a depression before the program got under way. It is only necessary to remind ourselves, for example, that in January, 1937, when Congress convened all the business curves were rising. By the middle of that year, employment and production were on the skids. Could the architects of the National Production and Employment Budget have foreseen in time this cataclysmic decline? The notion that major future economic events in a free society can be forecast is a pure delusion. In fact, if on the basis of a given set of facts an accurate forecast could be made, the people's compensatory and other reactions to the forecast will themselves upset the forecast.

This point is mentioned only because nearly all the spokesmen of government-created full employment are finally driven to the conclusion that such a program calls for a very wide discretion of administrative authority; in other words, such a full employment program cannot wait on Congressional action: committee hearings, introduction of bills or the making of appropriations. All this is too slow: the administrator must always have his finger on the trigger and must be ready to squirt additional purchasing power into the system whenever he sees (or feels) the danger signals hovering over the horizon. Congress would have to exercise great self-denial, would have to recede into the background and let the administration assume authority. It is safe to predict that if we adopt this program Congress will be asked only to set the "broad outlines" and then let the administration run it. Whether this will be different from the parliamentary declines which we have witnessed in Europe prior to complete dictatorship remains to be seen. But we surely would be on our way.

III. THE BEVERIDGE FULL EMPLOYMENT PROGRAM

The Beveridge Plan[1] goes all the way. In comparison, the British White Paper and the Murray bill are effete, temperate, halting and ineffectual. Beveridge does not bother to pay lip service to private enterprise (although he finds a small corner for it, for the time being). Free market mechanisms, private ownership of the instruments of production and even complete free consumer choice are institutions or liberties which the people can well forego. The government can do it better and, whenever the private plans stand in the way of public plans the former must give way.

We are greatly in debt to Sir William for his utter frankness and his taking us through to the bitter end. Beveridge will go down in history as the man who believed that we can destroy the free and open market in the majority of economic transactions without destroying personal and political liberty.[2]

As recently as 1930, after nearly a lifetime of study, Sir William was inclined to attribute unemployment, except the frictional type, to excessively high wages—labor overpricing its services (pp. 92-3). But "A new era of economic theorizing about employment and unemployment was inaugurated by the publication in 1936 of the General Theory of Employment, Interest, and Money, by John Maynard Keynes."[3] Beveridge tells us that the gist of the new revelation contained in this book is:

> Employment depends on spending, which is of two kinds—for consumption and investment; what people spend on consumption gives employment. What they save, i.e., do not spend on consumption, gives employment only if it is invested . . . in capital equipment, such as factories, machinery, or ships, or in increasing stocks of raw materials (p. 93).

Entirely apart from the fact that the above statement is somewhat inaccurate and incomplete, it seems incredible that Beveridge should find this a new revelation or a new insight, when, as a matter of fact, comparable fundamentals have been the teaching of economics from the beginning. It was implicit and explicit in Adam Smith (1776), Ricardo (1823), Mill (1848), and the whole school of economists down to the pre-Keynes days. In fact, it is simple arithmetic, common sense, and not abstruse economics or a new revelation. Keynes' contribution lay in his particular diagnosis of the reasons for the failure of the alleged self-corrective forces to bring about an equilibrium at capacity output and move the idle savings back into the income stream. Further, Keynes proposed a series of measures to remedy the troubles, many of which do not differ in essentials from the program which Beveridge outlines.

The diagnosis of our maladies is now alleged to be complete; the remedy is obvious: The government must move idle savings back into the income stream by taxation and borrowing, and must create additional purchasing power whenever a gap appears. Incidentally, this will give the government a fine opportunity, Beveridge notes, to determine expenditures according to "social priorities"—that is, to determine what is best for the consumer! (p. 31).

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[1] Not to be confused with Beveridge's earlier report, Social Insurance and Allied Services, 1942.

[2] That this is not likely has been shown in: Freedom and the Free Market Inseparable, Chamber of Commerce of USA, 1944.

[3] See Bulletin No. 8, Post-War Readjustments series, for a critique of Keynes: Deficit Spending and Private Enterprise.

What is Full Employment? Beveridge defines "full employment" as "having always more vacant jobs than unemployed men, not slightly fewer jobs . . . the labor market should always be a seller's market rather than a buyer's market." Again,

> A full employment policy worthy of the name cannot limit itself to curbing the boom slightly and slightly mitigating depression. Its aim is the abolition of booms and slumps and the maintenance of a level of employment hitherto not even attained during booms (pp. 18 and 184).

Whether such a feverish pitch of sustained economic activity is consistent with the maintenance of sanity, health and the necessary flexibility of society does not seem to worry Sir William. Evidently queues, shortages, delays and congestion are to continue from war to post-war.

He recognizes that some short-run, frictional, between-jobs unemployment is inevitable even under this definition, but very soon "one will be wanted in one's old job again or will be wanted in a new job." [4]

He recognizes that such a situation of full employment is always explosive, with inflation threatening, but he asks labor to be reasonable. "Wages ought to be determined by reason, not by the methods of strike and lockout." The freedom to strike is generally not one of the freedoms enjoyed by workers when the government assumes responsibility for jobs for all. The power of coercion must not be diffused but must be concentrated in one hand, that of the government.

The Supreme Instrument. As in the Murray bill, so in the Beveridge plan, the supreme instrument for implementing full employment is a new type of National Budget, under which the labor force is counted and then this figure becomes the starting point in the planning; next, the Minister of National Finance, after estimating the total private expenditures on investment and consumption and presumably ordinary government expenditures, must budget for additional public expenditure (Beveridge prefers the word "outlay") sufficient to absorb any remaining unemployed.

This budget [5] will be composed of six items:

1. Private consumption expenditures.
2. Private investment expenditures in the home islands.
3. Balance of payments abroad.
4. Proposed public expenditures covered by taxes or other revenue.
5. Proposed public expenditures covered by borrowing.
6. Output capacity (full employment) of the whole society.

The last item, number 6, is the starting point, the objective. Numbers 1–3 must largely be taken for granted as given, at least in the short run. The variables to be manipulated by the government will be numbers 4 and 5. Beveridge is not directly concerned with increasing numbers 1 and 2 whereas the Murray bill, as we have seen, requires the government first, or simultaneously, to try to stimulate private activity before greater governmental expenditures are to be considered.

The primary and compelling duty of the British Ministry of National Finance is to assure each year that the total expenditures in the private and the public sectors of the economy are sufficient to employ the whole labor force.

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[4] In 1944, a year of terrific manpower shortages and overemployment, more than one million Americans applied for unemployment compensation. On the average day some 80,000 persons collected benefits and the average duration of benefit payments was nearly 8 weeks.

[5] A later Bulletin will analyze the difficulties of this type of "budget-making."

Beveridge would establish a long series of boards, bureaus, ministries, and other agencies to carry out the program. To his credit we must state that he has elaborated the details to a considerable degree. Each piece is fitted into the total scheme—but he wisely keeps warning the reader that everyone must cooperate and that the government cannot tolerate interference. How he reconciles this prodding with the liberties which he postulates is not clear from the book.

IV. THE POLITICS OF GUARANTEED FULL EMPLOYMENT

That Government can create and guarantee full employment is almost universally admitted. The thousands of slave states throughout history and the recent experiments in Europe confirm this. Whether such guaranteed employment is consistent with the modern conception of man as an individual human being, with rights of self-determination, freedom of mind, spirit and body—that is a question. Certainly, experience suggests that, so far, such guaranteed full employment can be secured only through totalitarian methods and control.

Since Sir William discusses this matter at length, let us note what he has to say.

Continuity of Policy: Beveridge recognizes that a government full employment program dare not be upset by frequent changes of direction, by pressure groups or shifts, due to changes in exports. He says,

> There must be reasonable continuity of economic policy in spite of changes [due to free elections]. The machinery of government, while responsive to general changes of opinion, must be resistant to "lobbies"—that is to say, organized sectional pressures (p. 22). . . . None of these freedoms can be exercised irresponsibly. Perpetual instability of economic and social policy would make full employment and any other social reforms futile or impossible (p. 23).

Private capitalism requires similar continuity and stability—but it has not had it in recent years; and, what is at least equally important, while it has existed the people have retained their political freedom. Two further comments are relevant to the foregoing: (1) How can such essential continuity of economic policy be assured if elections are free? Will not the "guaranteed full employment" party in power and responsible for implementing that guarantee, find it necessary in time to dispense with free elections so that this essential continuity of policy will be absolutely assured? If so, what becomes of "full employment *in a free society*"? (2) If lobbies and pressure groups must be resisted, what is the technique for resisting them? Are free association, collective bargaining, and other forms of pressure to be finally prohibited, even though the full employment policy, as stated *before* its adoption, asserts that free association and collective bargaining are to be permitted?

Obviously, Sir William himself here hints at the prospect of inevitable decline in liberty and freedom. In fact, he says, ". . . the problem of maintaining full employment [through his outlay maintenance program] is more complicated in a free society than it would be under a totalitarian regime" (p. 23). Here Sir William makes a sound observation. Once a political party is in power and is committed to this full employment policy it will be very easy for that party, when it runs into difficulties (as it will), to move from the hint here given by Sir William to the utilization of totalitarian methods.

Coming back to this problem, Sir William again states,

> The general conclusion is that the degree of liberty in such matters which can be left to agencies independent of the State, without imperiling the policy of full employment, depends on the responsibility and public spirit with which those liberties are exercised (p. 37).

If the policy of full employment fails, who is to be the judge of which liberties and whose liberties are to be reduced or destroyed?

Extension of State Power: A very great expansion of governmental power and authority is recognized by Beveridge as indispensable for this full employment policy. He minces no words when he says,

> Full employment cannot be won and held without a great extension of the responsibilities and powers of the State exercised through organs of the central government. No power less than that of the State can ensure adequate total outlay at all times or can control, in the general interest, the location of industry and the use of the land. To ask for full employment while objecting to these extensions of State activity is to will the end and refuse the means (p. 36).

We are highly indebted to the utter frankness of Sir William. He knows and says, although he seems to want to deny it elsewhere, that once this full employment policy is embarked upon, the state of freedom will differ radically from that in a free market economy.

Lest we overlook any evidence of the state of mind which is represented by Beveridge, note his recognition that this:

> . . . gives to the State *all the necessary powers* for that purpose. How the State should exercise those powers, how much it should undertake directly and how much should be done by private citizens, *can be left to be settled later* in the light of differing views as to the advantages and disadvantages (p. 192, italics supplied).

Although Beveridge insists that the government's policy must have "reasonable continuity," he is not willing to tell us in advance just how far the government may have to go in shearing the individual of his freedom and how far the government may have to go in taking over additional functions and tasks.

The Place of Private Enterprise, if Any: The British White Paper, "Employment Policy," appears relatively neutral with regard to the place of private enterprise in the new order; the Murray bill would seem to place some responsibility on the President to give private enterprise an initial boost when it flags. But Sir William "feels" that really private enterprise is about dead, we have not yet buried it. Indeed, he would let it stumble along as best it can until it reaches the cliff—then its obsequies can be celebrated.

Actually, Beveridge hops back and forth on this issue throughout his book. Thus he says: "There is every reason for *hoping* that full employment *could* be secured in peace by the policy outlined here, while leaving the major part of industry to private enterprise" (p. 205, italics supplied). Again he says, that the "significant doubt that arises on this is as to the possibility, under such conditions, of bringing about a sufficient stability of private investment, and preventing its cyclical fluctuation. It is reasonable to let that doubt be resolved by experience." In other words, let this threat of socialization of production overhang private enterprise. Nothing could be better calculated to cripple, stifle and thwart the necessary new private investment and technological improvement than such a threat. Who would invest in new ventures or improvements under such circumstances? One of the chief reasons for the colossal inefficiency of the English coal industry is that for a generation the threat of nationalization has hung over it. Today the output per manshift is the same as before the First World War. Sir William would now let this threat hang over all industry.

So as to reassure the reader, Beveridge says, "The policy of full employment outlined here is a policy of socializing demand rather than production." (p. 190.) But he also said:

> It may be found convenient, as a subsidiary (!) measure, to transfer particular industries from private to public ownership, in order to increase the power of the State directly to stabilize demand in a specified sector and in order to bring monopolies under assured control. (That is, give the State a monopoly.)

Beveridge insists on everybody's cooperation. Thus he says, if labor will not cooperate but insists on unreasonable wages, on restricting output, on being undisciplined or on being inefficient; or if the capitalists sabotage the system "desiring to make difficulties for the State;" or private ownership interferes with the desired equalizing of wealth—if these things happen then we must also socialize production.

Elsewhere in the book, he says that this policy "makes possible the retention of private enterprise. . . . At the same time it does not block the way to socialization of production in general or in any particular industry." (p. 191.) Earlier he had said:

> The list of essential liberties* given above does not include liberty of a private citizen to own means of production and to employ other citizens in operating them at a wage. . . . On the view taken in this Report full employment is in fact attainable while leaving the conduct of industry in *the main* to private enterprise. . . . But if, contrary to this view, it should be shown by experience or by argument that abolition of private property in the means of production was necessary for full employment, this abolition would have to be undertaken (p. 23, italics supplied).

The foregoing is enough to suggest how long private ownership and enterprise would survive the inauguration of the Beveridge program. We are indeed highly indebted to Sir William for raising some of the right questions about the compatibility of private enterprise and full employment guaranteed by government.

Free Labor and Collective Bargaining: All will agree that Beveridge is right in appraising private enterprise as a device, as an instrument for attaining some desirable end of man. All we ask, however, is that this device be appraised from all angles, in terms of its total potential, in terms of both its merits and its demerits, and not merely in terms of one *or* the other.

When we come to labor, there can be no compromise. Labor is not a device or an instrument—rather, it is an end in and of itself. The human being was not made for the State; the State was made for man.

Although Beveridge's heart goes out to the disemployed worker and his family, he thinks of the worker primarily as a producing and consuming unit—an econmomic unit. Security must be had for him, apparently, at the price of his liberty. And this is said in spite of Beveridge's postulated essential liberties, noted above. Why is this a fair statement about the freedom of labor under Beveridge's full employment policy? To get the answer, we must note what he says and what he implies.

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* The essential liberties Beveridge states as: freedom of worship, speech, writing, study and teaching; freedom of assembly and of association; freedom in choice of occupation and freedom in management of personal income (p. 21).

Beveridge is prompt to recognize that a full employment program under which there are always more jobs than people to fill them is an explosive situation. The pressure upon wages may become irresistible. Employers would be forced to bid up wages in order to attract labor, and the workers, both individually and collectively, could make and enforce wage demands or demands for shorter hours and other personal advantages. Beveridge states:

> There is a real danger that sectional wage bargaining, pursued without regard to its effects on prices, may lead to a vicious spiral of inflation, with money wages chasing prices and without any gain in real wages for the working class as a whole (p. 199).

Again, he says:

> If trade unions under full employment press wage claims unreasonably, maintenance of a stable price level will become impossible; wage determination will perforce become a function of the State (p. 207).

He is exceedingly critical of collective bargaining by plants, by individual industries and insists that the present British method of collective bargaining (similar to that of the United States) must give away to an over-all approach under which the individual union will be told what to do and when it can do it.

The central labor federation would become an arm of the State:

> . . . the central organizations of labour, such as the Trades Union Congress General Council, should devote their attention to the problem of achieving a unified wage policy which assures that the demands of individual unions will be judged with reference to the economic situation as a whole (p. 199–200).

It will be recalled that in totalitarian countries, Italy, Russia and Germany, for example, the free labor unions were quickly abolished, and all workers were required to become members of government unions.

Beveridge expresses the pious hope, ". . . wages ought to be determined by reason . . . and not simply by the bargaining power of particular groups of men" (p. 200). If the parties fail to agree, he suggests wages be settled by "an agreed arbitrator," but fails to suggest how he is to be selected or what methods are to be used to force the parties to agree to submit a dispute to such an arbitrator. But he adds this somewhat ominous statement: ". . . men should not be imprisoned for striking, though *they may rightly be deprived of all support* if the strike is contrary to a collective bargain or an agreed arbitration" (p. 200, italics supplied).

Although Beveridge is more specific than the British White Paper (Employment Policy), the latter agrees that unless labor exercises great self-discipline, the policy must fail. Thus the White Paper states:

> Action taken by the Government to maintain expenditure will be fruitless unless wages and prices are kept reasonably stable . . . it will be essential that employers and workers should exercise moderation in wage matters.

The reader must judge for himself whether in practice free labor and free labor unions would survive "jobs for all" as planned by the State. Discussing these same problems another renowned Englishman, Geoffrey Crowther, editor of the Economist (London), states, "I have a suspicion that the Nazi alternatives, diabolical though they are, have far too much logic of events in them to be brushed aside by the military defeat of Hitler." (Foreign Affairs, January, 1944.) But this will not be the only route open to us if we have the courage and wit to make the voluntary market economy function effectively.

V. NO ALTERNATIVE?

We have arrived at the point where, if one raises any objections to any and all "full employment" programs, he is labeled as being against jobs for all. Until the last decade, the synonym for "full employment" generally was nothing more nor less than "prosperity"; therefore, it can scarcely be argued that the critic of certain methods for attaining and maintaining this prosperity is against what is now termed "full employment." Hundreds of proposals have been advanced for attaining prosperity, from the programs of the single-taxers, social creditors and the cooperative movement to fascism, nazism, socialism, communism and, indeed, capitalism with a free market. From time to time the vogue changes. Today the panacea is in terms of government spending, under which the government always sees to it that there is enough purchasing power moving through the markets to absorb all the output at capacity levels.

How do we know that this current vogue is the best solution or even a solution? Just because it is the current fashion does not make it right, does not make it workable and does not assure us that we would accept it willingly, once we adopted it.

The decision we face is: Shall we shoulder upon government this responsibility for full employment or shall we adopt policies which will gradually alleviate suffering, mitigate mass unemployment, and encourage more effective operation of a voluntary, free society based upon individual responsibility and effort?

We need to remind ourselves that there is a vast body of penetrating and thoroughgoing scholarship which has placed its finger upon a host of private and public policies which themselves are responsible for the unsatisfactory performances of the private capitalist system in the recent past. Before we embrace a new philosophy which has not proven satisfactory in Europe, we surely should make certain that the blemishes on our system cannot be corrected. In a sense, this whole series of Bulletins has been concerned with such reconstruction.

VI. SUMMARY APPRAISAL

Were there no other reasonably satisfactory solution to the problems of unemployment we all might embrace the new philosophy.[7] A voluntary free-market, capitalistic society can function satisfactorily only under a rule of law and a political and social environment which are in accord with its fundamental nature.

Great have been the achievements of this system in the past. Great is its potential if we have the wit to provide it a social and political milieu in which it can operate. Even its instability is not inherent in it. Mass unemployment is not a necessary result of a really free, flexible market economy. It results from an accumulation of wage and price rigidities, unwise credit policies, war-created distortions and maladjustments[8] and many other matters which are not inevitably parts of the system.

Furthermore, through unemployment compensation and other devices we can spread income more evenly *over time* and thus mitigate the hardships of such unemployment as is unpreventable.

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[7] Bulletin No. 3 in this series entitled, Full Employment: Its Politics and Economics, explained why, under a free voluntary society, no one class or group is responsible for jobs. The job-making process depends on the maintenance of profit *expectations* and this, in turn, rests on a vast complex of forces and factors.

[8] Two global wars within the memory of most adults living on our beleaguered planet have all but destroyed the foundations upon which alone a free voluntary society can operate.

Perhaps the traditional England is dead and we, still colonial-minded, are destined to ape her ways. It is highly unfortunate that the sponsors of the Murray bill have not disclosed the degree of centralized power and authority which their proposal will involve in practice. Only if they do this, are they in a position to determine whether they would be driven, willy-nilly, to the same conclusions and the same bitter end reached by Beveridge.

What has happened to the England of yesteryear which, under the lead of her bold and courageous businessmen, smashed the closed ring of the earlier authoritarian system—that of pre-Adam Smith mercantilism—and gave us our great shipping fleets, our iron, textile, machine and modern transportation industries and our conception of an international division of labor and trade? It would be a supreme tragedy if in this crucial hour England turned her back on her own great past and we, as mere imitators, followed in her train.

Considering our limited achievement of the 1930's in solving the unemployment problem, many persons believe that a much more reasonable goal than "full employment" would be the prevention of mass unemployment.[9] Since we failed in a much more simple task, is it altogether rational to set for ourselves a much more difficult objective?

Thus the editors of Life (March 5, 1945) state: "Although the Murray bill calls itself the 'Full Employment Act of 1945,' it shies away from Beveridge's all-out controls. Therefore, it cannot and will not guarantee full employment. What such a bill can help to do is to offset, minimize, perhaps eliminate, the real economy enemy in America, which is not individual idleness but mass unemployment. America must try—and should be satisfied—to lick that problem over the next 20 years. But to call that 'jobs for all,' as Wallace does, is at worst demagoguery, at best sloganeering."

The Murray bill, if it forces us to examine honestly and realistically every proposed bill, rule and regulation and every public and private policy in order to determine whether each contributes or hinders in the process of absorbing our whole labor force into productive economic activity, could serve a useful purpose.

If we can assume that the sponsors of the bill have a workable concept of the job-making process in a free society, although this may be a large order, there may be some benefit from an over-all review of the factors making for economic prosperity. This point will be discussed in a later Bulletin.

APPENDIX

Jobs are a byproduct of an effectively functioning economy. They are a means, rather than an end. Yet the current emphasis on jobs and full employment is apt to make jobs the *end* and therefore lead to programs promoting jobs merely for the sake of jobs. In fact Beveridge states that it is better to have men digging holes in the ground and filling them up again than to have unemployment. Lord Keynes has taken a similar position (see: Introduction to Bulletin 8 in this series). Indeed for the most part Beveridge is not concerned with efficiency and productivity.

A word must be said about the 60 million jobs which the politicians are promising for the post-war. Before the war we had about 46 million gainfully *occupied*. Several million were unemployed and of course we have had a net increase in the labor supply. Whether fifty, fifty-five or sixty million people will want to be gainfully occupied after the war cannot be determined in advance. The figure will depend on wage rates, regularity of earnings of the chief breadwinner, the cost of living, the intensity of demand for both existing and newly-developed products and a host of other factors. The "labor force" is not a fixed quantity, it is not a datum, a fact, as all three of the plans outlined above assume.

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[9] This viewpoint is fully explored by Adolph G. Abramson, The Problem of Full Employment, Harvard Business Review, 1944, pp. 337-45.

Finally, even assuming that the 60 million figure measures the labor force for the post-war, it is still a misnomer. We do not want 60 million *jobs;* rather the goal should be 60 million gainfully *occupied* persons. We do not have to struggle, strive and plan to develop jobs for the 6 to 8 million farmers, the millions of self-employed professional people, the millions of self-employed businessmen and many others. To include all of these in the 60 millions gives an erroneous impression of the task ahead. Thus the whole economy never has and will not need to provide more than about two jobs for each three persons gainfully *occupied.*

3. WHY WE HAVE NO FULL EMPLOYMENT POLICY*

(By James K. Galbraith [1])

Although by Carter administration lights the economy recovery is "on track," the editors of *Business Week* and the *Wall Street Journal* are not optimistic. Since autumn, a distinct nervousness has prevaded the business press, against which none of the more or less reassuring recent economic news seems to have had any effect. "Doubt," "uncertainty," and "lack of confidence" are the watchwords. As Leonard Silk reported in January, "The mood of business seems somewhat worse than the economic outlook."

A cynic might suspect that the apprehension is contrived. Recession jitters, after all, serve excellently to stall tax and social reform and to promote general tax cuts, investment tax credits, import restrictions, and other forms of private sector relief. Carter's economic advisers, their self-confidence undermined by the Lance affair, by the stock slump, and by a run of soft statistics in the third quarter of 1977t were facing decisions on the tax package, on urban and employmen. spending, and on the chairmanship of the Federal Reserve Board, In Congress, the fate of welfare reform was not yet decided. For Carter's critics among corporate executives, bankers, and their press acolytes, opportunity fairly beckoned.

Whatever the conservative critics did, they should have been pleased. Instead of accelerated public service employment, youth employment, and public works, we were offered a $25 billion tax cut, tilted toward business. Tax reform is mostly "deferred," and the special treatment of capital gains is secure. Welfare reform is apparently a congressional dead letter, and along with it funds to double the present 700,000 public service jobs. G. William Miller is an acceptable replacement for Arthur F. Burns.

These events, inevitably, will strengthen the view that Carter has shifted rightward since assuming office. In truth, ideologies don't change so quickly. Perceived conditions have changed, but the government's underlying approach to short-run economic policy dates at least from the Tax Reduction Act of early 1975. It is: "steady recovery at all costs." On the numerical short-run objectives—and on their paramount importance—Carter's administration hardly differs from Ford's. Last July 1, for example, Bert Lance's Office of Management and Budget projected, with some satisfaction, an average unemployment rate of 6.3 percent for 1978. Lance's figure was only one-tenth of one percent below the rate forecast in the Republican Budget Message of January 1976, which in turn was based on policies then planned or already on the books. Politely, the parallel was not mentioned.

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*James K. Galbraith in Working papers for a new society, v. 6, March–April 1978: 27–33. Reprinted by permission of The Center for the Study of Public Policy, Inc., #4 Notting Road, Cambridge, Mass. 02138. Copyright 1978.

[1] James K. Galbraith, as an economist on the staff of the Committee on Banking, Currency and Housing (now Banking, Finance and Urban Affairs), U.S. House of Representatives, helped in a minor way to draft the Full Employment Bill of 1976. He is now getting a Ph.D. at Yale University. No one at either institution is implicated in his views.

What distinguishes this administration from the last are not different economic objectives but a commitment to their achievement. Carter really will propose and fight for such tax cuts and spending as the recovery needs to keep going. His social objectives are of course also different; publication of the welfare program demonstrates that. But they are secondary. In a sympathetic spirit, one might rationalize Carter's first year as consistent with a simple strategic outline: to ride the recovery as far as it will go, to enact in the first years only structural reforms of slight immediate budgetary impact (energy, government reorganization, social security), to achieve the vaunted balanced budget in 1980–81, and then, having neutralized the fiscal conservatives, to use the surplus expected thereafter to absorb previously legislated cost increases and to pay for a panoply of promised, but expensive, new programs: national health insurance, urban reconstruction, employment.

The strategy, if it is a strategy, depends on a sustained economic recovery, and on the tendency in such recoveries for the tax structure to generate increased revenues faster than the government spends them. A balanced budget is simply a by-product of this tendency; it does not require the massive economy drive that some, to their present puzzlement, once read into Carter's intentions. For several years now, the budget committees of Congress have been forecasting huge budget surpluses by assuming continued steady growth and unchanged expenditure policies. The catch is that such surpluses could never be realized: the excess saving they represent would wreck both the economy and the budget itself. Rather, the projections illustrate the paradox that Carter's commitment to a balanced budget requires higher government spending and lower taxes than at present.

Thus the question for this administration has never been, "Should we stimulate?" but "How much?" "In what form?" and above all, "When?" If the economy and the administration proved strong, action could be deferred, the deficit would shrink, and the programs, when they came, could be spending programs aimed directly at unemployment, health, housing, education, crime, and similar high-priority problems. If the economy proved weak, or if the administration could be panicked into so believing, then circumstances would dictate a rapid tax reduction. This in turn would keep the deficit near its historic high, and put an insurmountable political obstacle in the path of new social spending for the near future. That, it now appears, was the true significance of last autumn's skittishness and Carter's Christmastime decision to reduce taxes.

At best, the tax cut means that the major social programs of the Carter administration are delayed, perhaps until his second term. But even then there is no commitment to full employment. Carter's endorsement (to which we shall return) of the 1977 Humphrey-Hawkins Full Employment Bill is a symbolic gesture, and not in any event an endorsement of *full* employment. In introducing the welfare plan, Carter stated his goal as one guaranteed job per family. This—principle, in effect, of "women and children last"—implies acquiescence in the present queuing mechanism for employment, a mechanism that discriminates systematically against the young and women, and that leaves blacks and other minorities disproportionately in jobs without decent prospects for advancement (where the only path to the middle class may be the multiple-job household).

An unemployment rate of 6.3 percent, the forecast still in effect for 1978, is (on a crude calculation) compatible with 15 percent for teenagers, 11 percent for nonwhites, and between 30 and 40 percent for nonwhite youths, especially young women. Attaining the conventionally defined "full employment" unemployment rate (4 percent) does not solve this problem: in 1969, unemployment overall was 3.5 percent, yet over 12 percent for teenagers and over 26 percent for young black women. Needless to say, reaching Humphrey-Hawkins' rate of 3 percent for adults does not solve the problem either.

At the moment, the priority attached to the tax cut and to "business confidence" prevents more than token action on behalf of the perennially unemployed. Next year the excuse will be different, the result the same. Why? It is too simple, surely, to blame this particular administration for timidity or lack of conviction. A genuine full employment policy entails immense difficulties, and even those who now lead the "full employment" crusade are mostly not prepared to face them.

It is easy to avoid a sober discussion of full employment. Opponents may be dismissed as "dinosaurs," supporters as "spendthrifts" and "wastrels." Right-wing editorialists inveigh against (largely invented) estimates of the "cost" of full employment; sympathetic columns are full of facile extrapolations purporting to show how much additional production we "could have had" with continuous full employment for the past 20 years.[2] Such exercises yield impressive artificial numbers, cost-benefit appraisals either without benefits or without costs. Worse, they cast a scientistic pall over an otherwise intelligible debate.

The Humphrey-Hawkins Full Employment Bill of 1976, as a news event, typified the misrepresentations characteristic of the issue. By itself, the bill would neither end unemployment nor bankrupt the Republic; it did not deserve either the accolades or the ridicule with which it was widely received. As its few readers quickly found out, it was anything but a vast and detailed blueprint for an unending series of public works. It contained no substantial direct spending authorization, only a few million for administrative expenses and research. What it did contain were directives, guidelines for the formulation of employment programs and economic policies in the future, that could have led to dramatic program and policy changes. But not necessarily.

Under a Full Employment Act, 1976 style, the administration would have been obliged to bring before Congress, within specified deadlines, two sets of documents: first, a budget of social objectives (targets for housing, urban renewal, environmental cleanup, and so on) toward which unemployed resources could be directed; and second, the legislation necessary to meet those objectives. This planning framework, linking employment policy to the solution of other social problems, was the heart of the bill. Certain features of the component programs were spelled out, such as that there be specific attention to youth employment and that previously established statutory wage standards be honored (a much misconstrued point). In general, however, the specifics were left to executive discretion: the content and priority of the social objectives, the amounts to be spent on each and the timetable of disbursements, even (within limits) the relative emphasis on public versus private employment. As a vehicle for employment per se, Humphrey-Hawkins was a shell; all depended on the subsequent legislative imagination, initiative, and skill of the administration.

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[2] Critics of the "high cost of full employment" make the common error of confusing the cost to the nation (which for pure transfer payments is zero) with the private cost to taxpayers, i.e., themselves. The tendency among the well-to-do was noted long ago by A. O. Pigou. On the other side, studies of forgone production (such as one recently released by the Exploratory Project for Economic Alternatives) usually use the rule, known as Okun's law, that every reduction of one percentage point in the rate of unemployment is associated with about three additional percentage points in the growth rate of GNP. Drop to 2 percent unemployment and compound for two decades, and you will get very large numbers indeed. But Okun's law breaks down at 4 percent unemployment (some would argue 5.5 percent these days), the point at which the difficult "structural unemployment" problem must be broached. Beyond this point, there is no reason to suppose that the market value of output of marginal workers would approach that of those already employed.

What the 1976 bill did not leave to executive discretion was the principle that full employment take an absolute priority in the formation of economic policy. The Employment Act of 1946 prescribes "maximum employment, production and purchasing power" as coequal policy goals; Humphrey-Hawkins would have replaced this with a flat commitment to 3 percent adult unemployment within four years. Other objectives, notably price stability, would have had to be sought within the confines imposed by this commitment. The Nixon-Burns use of restrictive monetary and fiscal policies (1969 and 1973) to generate unemployment in the interest of containing inflation would have been forbidden.

It was these provisions, not any big-spending scheme, that made Humphrey-Hawkins unacceptable to Gerald Ford. Far from an ordinary Democratic pastiche of public works and leaf-raking projects, it was a bill about the underlying form and direction of economic and social policy—and about how much of that form and direction, as distinct from programmatic content, should be left to presidential choice. Under an activist president, Humphrey-Hawkins could serve as a mandate; for an obstructionist like Ford it would have been embarrassing and restrictive, but not coercive. However badly a strong statement of principles may be needed, it does not of itself constitute a blueprint for full employment.

The overriding weakness of Humphrey-Hawkins (strangely, given the extravagant claims of both supporters and opponents) was that it did not go far enough in reordering economic policy. It emphasized peripheral matters—congressional review of the planning process, new regulations and reports, the partition of tasks between bureaucratic entities—giving the appearance of coverage and depth while ignoring necessary aspects of a full employment policy. On inflation, the bill dissembled, acknowledging the priority that inflation control must receive but listing only well-known placebos (an inflation "early warning system," voluntary measures to encourage productivity, antitrust enforcement, emergency export licensing for food and materials) as policy tools. At the insistence of the AFL-CIO, there was no mention of wage-price controls. In a compromise in early 1976, when Senator Humphrey became a principal cosponsor of what had been the Hawkins-Reuss Bill in the House, a provision guaranteeing jobs as a matter of enforceable right was replaced by the "interim objective" of 3 percent adult unemployment within four years, thus permitting coverage of teenagers and disproportionately unemployed minorities to remain vague.[3] The result was sincere, respectable, an important symbol, but something less than, say, half of a comprehensive policy for full employment.

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[3] For a long time, Representative Hawkins maintained that "adult" meant "16 and over." Senator Humphrey put the age at 21. The new version compromises at 20, with the proviso that overall unemployment (16 and over) not exceed 4 percent.

In the 1977 version, which Carter supports, a largely symbolic statement is made exclusively so. The "right" to employment becomes merely a "goal," the "Full Employment and Balanced Growth Plan" is subsumed into the president's annual economic report, the explicit injunction that price stability "shall not be sought through any weakening of the goals and timetables relating to reduction of unemployment" has disappeared. Gone are the 90 and 180-day deadlines for submission to Congress of youth, regional, structural, and countercyclical employment programs. Wage-price controls are explicitly ruled out. Even the goal of 3 percent adult unemployment, now stretched to "within five years," is subject to revision after two. Without strong implementing legislation, of which there is no sign, revision would be nearly certain—after the 1980 election.

What would a serious full employment program look like? First we need a better definition of full employment. The one we now use simply selects an arbitrary percentage level of measured unemployment (or a level supposedly consistent with near-stable prices) and calls it "full." Arthur Burns's suggestion of "zero involuntary adult unemployment" is better, given suitable definitions of "involuntary" and "adult." There is an older definition, that of the 1944 Beveridge Report in Britain, which is still good:

> [Full employment means] having always more vacant jobs than unemployed men (sic), not slightly fewer jobs. It means that the jobs are at fair wages, of such a kind and so located that the unemployed men can reasonably be expected to take them; it means, by consequence, that the normal lag between losing one job and finding another will be very short. . . .

This is a tall order, and it is not obvious how one would know from current statistics when Beveridge full employment had been achieved. An acceptable interim goal might be whatever level of measured unemployment is deemed achievable within one presidential term, *provided* that no particular ethnic, sex, occupational, or age group be stuck with a disproportionate share of the unemployment that remains.[4] With this proviso, Humphrey-Hawkins' interim objective isn't so bad. What counts is the emphasis on those who most need employment.

Full employment means, above all, a commitment of public, not mainly private, resources. Much appeasement rhetoric in Humphrey-Hawkins, in Carter's pronouncements and in the credo of the economics profession, is devoted to denying this, but history is an unfriendly witness. We have never had full employment in peacetime; even the the long expansion of the early 1960s did not come very close. There is no evidence that the private sector, even with a sustained Keynesian assist, can fully or permanently correct unemployment.

Some of the unemployed, those who are well educated, experienced, or on temporary layoff, will be hired or rehired quickly when the economy turns up or when their company receives a new contract; others without such advantages remain indefinitely at the end of the line. For them, the customary "hydraulic Keynesianism" of recent decades doesn't work. A generalized application of fiscal or monetary stimulus to the private sector, of which Council of Economic Advisers chairman Schultze's aborted $50 rebate scheme was a good example, is an inefficient employment creator, contributing strongly to inflationary pressures—or disappearing into savings—well before the so-called hard core have jobs.

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[4] Somewhat higher than average youth unemployment may be tolerable, as has been argued by Paul Osterman in the January/February issue of *Working Papers*.

Why? One part of the answer, at least, is clear. Private employers, most of whom are not practicing bigots, avoid the hard-core unemployed for business reasons. They are, or are thought to be, low-profit workers: ill trained, poorly educated, transient, sometimes hostile or obstreperous, often located in run-down, dangerous, remote, or (the inner cities) high-wage and thoroughly unionized districts. Since full employment means the tough as well as the easy cases, it will require a mix of programs targeted by area and group, including inducements to private employment (such as wage subsidies and hiring tax credits), but primarily including expanded *public* investment and *public* services.

These may be either direct public enterprises or publicly financed private endeavors, but they cannot rely on the prospect of short-run economic profits. Nor can we afford the sacrosanct pecking order, according to which public jobs must offer limited tenure, low pay, and tasks not ordinarily provided by private business. If a government agency can do a particular job more cheaply than a private contractor (a proposition less suprising than it sounds), or if there are substantial training benefits to be had by hiring "subeligible" workers, then let the government do it. Full employment is a complicated, long-term, bureaucratic endeavor, and nothing can be done about that.

Full employment is therefore "costly," meaning that government expenditures must be increased to achieve it. The budget deficit, however, need not increase much, and any rise would be in part offset by rising tax collections and falling welfare and other transfer payments. Probably the net social cost (total loss of product to society) of full employment would be zero or even negative, the gains to those newly employed outweighing the losses to others. Even so, the fact remains that certain significant groups would suffer: those whose taxes were raised, whose prices or wages or profit incomes were controlled, those who would lose some of their front-of-the-line status in certain types of cyclical industry (construction trades, for example).

Is full employment feasible? Can legislation written in Washington respond to the needs of hundreds of diverse regions, groups, and industries, and to the peculiarities of seasonal and cyclical employment? Can the federal government force such programs on thousands of autonomous units of state and local government, not all of them competent or honest, whose cooperation will be required?

Again, a completely confident answer isn't possible. The Great Society provides an historical parallel of sorts to a full employment program: not wonderful, but not wholly discouraging either. Income gaps did narrow, and blacks and other minorities made significant gains in education, housing, employment, and political rights; that these gains were eroded by a combination of neglect, conscious policy, recession, mismanagement, and fraud during Nixon's administration should not be blamed on the programs themselves.[5] But the question remains: support for full employment presupposes the belief that the federal government can still govern, faith that problems such as the displacement of regular workers by subsidized ones can be overcome, and a stomach for increased economic intervention by government indefinitely.

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[5] More precisely, the gains occurred in a broad context of economic and political advance, of which civil rights legislation, the 1964 tax cut, Great Society programs, and even war expenditures were all a part. Separating the influences is a difficult and dubious task

In the ghettos especially, the juxtaposition of decay, discrimination, crime, and a young, disadvantaged workforce has blunted the local impact of macroeconomic expansion, while creating the widespread presumption elsewhere that special government programs don't work either. These doubts are not wholly unfounded. One aspect of the problem, pointed out by the *Amsterdam News* in the wake of the New York blackout, is the "vacuum of leadership" in the ghetto. To the extent this is true, sustained efforts at economic development are handicapped, prone to insensitivity and poor community relations, and susceptible to ripoffs, both imported and local. A political revival, including the emergence of community organizations capable of providing leadership in the ghetto, may have to precede any successful effort to engender an economic revival. Community ownership of productive assets, fostering a commitment to work and respect for property, may be necessary to a far greater extent than at present. Since private (white) capital will not enjoy working with such groups, the federal and city governments must be prepared to do so, and vice versa.

At full employment, inflation will not go away. How severe it will be nobody can say, because nobody knows.

Except on public occasions, few economists in government or out believe there can be a return to the easy policy choices of the Truman and Kennedy-Johnson years, when high employment accompanied high growth, low inflation, and near-balanced budgets. In the trade jargon, the "Phillips curve" has "shifted out": a given level of unemployment now corresponds to a higher level of inflation than it used to, and vice versa. Unemployment remained near 7 percent in 1977, while inflation varied between 5 and 7 percent, mainly with the weather. Arthur Okun (of the Brookings Institution) now estimates that inflation-prone tight labor markets will emerge when unemployment reaches 5.5 percent. It is a common view that 8 percent wage and 6 percent price inflation are by now "institutionalized," and that the pressure will get worse as the economy expands.

There are three principal inflation policy tools that are consistent with full employment (the crude use of tight monetary and fiscal policies per se is not). They are: taxation, the control of government expenditures and government-inspired costs, and the direct or indirect control of certain prices and wages in the private sector. Each confronts fiendish political opposition from entrenched powers on the American scene.

1. A progressive income tax can be, in principle, an equitable tool for the control of aggregate incomes, hence of aggregate demand, and it can thus influence the price level. The equity case is simple: changes in progressive tax rates don't much affect the poor. The changes mainly affect the incomes and spending of the relatively well off, whose jobs are relatively secure, so the effect of a tax hike on the demand for labor is only indirect. Cuts in social spending and tight money policies, by contrast, strike directly at marginal employment, either by closing down public job opportunities or by stripping small enterprises of the credit necessary for their survival. Hence, where it is necessary to trim demand while sustaining full employment, tax increases are the instrument of choice.

The inequities of the present tax system are sufficiently well known. More relevant here is the very complexity of the tax code, which constitutes a powerful obstacle to the use of tax changes for short-term policy purposes. Since any particular change has myriad unforeseen, possibly undesirable economic and political effects, the system itself impels a paralyzing caution.

The strategy of tax reform is therefore crucial. Piecemeal effort will receive piecemeal congressional examination; the result may be better but it will not be simpler than the tax code we have. A measure with a single backbone and consistent purpose—lower rates, the repeal of virtually all credits, deductions, exemptions, and other shelters, and the transfer of justifiable subsidies to the appropriations process—might be defeated outright, but it would not be subject to irreparable mutilation. Such a measure could be made flexible and useful against inflation caused by full-employment demand levels; with a piecemeal package, curbing inflation in this fashion would be orders of magnitude more difficult.

Unfortunately, it seems clear that tax planners under treasury secretary Blumenthal, if and when their moment comes, will present an omnibus, piecemeal reform package. Those who prefer complications and paralysis in the tax structure have been at work.

2. Alongside taxes one must consider government expenditure. The steady upcreep of federal, state, and local government pay scales, like the steady pace of price and wage increases in concentrated industry, adds to inflation. So does government failure to control contract costs, especially in defense and construction. And there is increasing evidence that subsidies for health, housing, and education, among other items, affect the price of these services at least as much as their supply.

At present, government policy is essentially passive regarding the "fair price" of goods and services sold to the government or subsidized by it. In the case of contracts, price is determined by "costs"; costs, supposedly, are determined on the market. The Davis-Bacon Act, for example, sets a standard of "prevailing local wages" for wages paid on government construction contracts. In health care, prevailing rates may be charged to medicare or medicaid. Housing policy sets no upper limit on the size of a mortgage whose interest may be deducted from taxable income.

It should be apparent that in each of these cases there are feedbacks: costs supposedly determined by market forces depend in fact on the going government-approved pay and subsidy rates. If costs rise, subsidies rise with them: efficiency becomes economically unattractive. In the insurance business, analogous phenomena are called "moral hazards": among them are arson-for-profit and spurious medical malpractice suits. Among government programs, the case of medicaid stands out. Less insidiously, the mortgage interest deduction means that people who itemize can afford to spend more for their homes. As the stock of housing responds only very slowly to increased demand, it is likely that the principal effect of the deduction is to raise housing prices.

Like the tax structure, the cost-subsidy spiral is not accidental; it has many constituencies, each of which can be expected to defend its position. And there is no single correct technique for control; in some instances a direct ceiling on costs may be appropriate, in others a reduction of subsidy levels, in still others deregulation or the restructuring of an industry. That Carter began an attack on health costs is encouraging; the apparent demise of the effort testifies to the difficulty. At full employment the problem will be worse.

3. Tax policy can control the overall level of aggregate income and demand. If it is to be simple, flexible, and of predictable effect, it cannot also arbitrate every dispute between public and private power, and among private powers, over the distribution of income. Yet these disputes, as much as aggregate excess demand, generate inflation. Thus the necessity of price, wage, and export controls.

Controls are necessary, not simply to keep prices stable, but to reallocate resources toward a balanced economy at full employment. In our economy, large firms in concentrated industries possess substantial power to extract profits, pay wages, and control funds on the capital market in excess of their "competitive" share. A corollary is the power to defend that share, by inflationary hikes in prices and wages, against the tax-financed demands of the public sector. If, to achieve full employment, the share of the public sector must rise, then this tendency must be curtailed, or the entire burden of adjustment will shift to those whose defenses are less sturdy: we will have full employment plus impoverishment of the more competitive sector of the economy.

There are two possible choices: nationalization or a program of flexible, limited, selective controls. *Price* controls are necessary in concentrated industries to lessen the private arrogation of profit in the face of prescribed public need. Given price controls, *wage* controls, or at least negotiated agreements on wage restraint, are required to maintain a measured balance between prices and costs. Given domestic controls, *export* controls (or taxes) are required to prevent the flight of needed commodities to higher-priced markets abroad.[6]

It is not because controls are inherently inefficient or unenforceable but because they place social conflict sharply into focus that they are bitterly resisted. When the chairman of General Motors writes to defend the "free market system" (as he did in a 1976 *New York Times* polemic), he means his own freedom to raise new car prices by $400 per year, irrespective of demand. This freedom he would lose. The central policy decision implied by controls is, "Should social decisions be taken by public bureaucrats in Washington or by private bureaucrats in Detroit?" It is not altogether obvious which is worse. But there *is* something incompatible between a public policy of full employment and a pricing policy in the private sector that results in high profits in the short run, inadequate investment, increasing concession of the domestic market to imports, and, ultimately, adjustment by laying off workers. One or the other will have to give.

One further consequence of full employment bears mention. While limiting the power of corporations, full employment would increase the power of trade unions. The issue of wages, although politicized by controls, would remain basic. The opportunity for a vast expansion of membership would be there. The absorption of militant people into unions can be expected to produce more militant unions. The disappearance of the unemployed would remove an important brake on union militancy.

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[6] A third alternative, known as the Tax Incentive Plan or TIP, is being promoted by economists Sidney Weintraub and Henry Wallich. The idea is to introduce tax incentives for compliance with a set of wage guidelines, along with penalties for noncompliance. As compared with controls, TIP would introduce a politically attractive, if artificial, degree of voluntarism into the wage structure, at the cost of considerable tampering with the tax code. It would refocus, but not avoid, the distributional struggle that underlies any policy on incomes.

Even the best friend of the labor movement might see the dangers here. Once the rich have been soaked by tax reforms, excess profits squeezed by controls, and the larger pool of goods and services that a full employment economy produces apportioned, the wages for any additional expansion of the labor force will have to come from reduced potential growth in the real wages of those already employed. If full employment is to work, many unions will have to shift their focus away from sharp wage gains for the best-paid members and toward winning living wages for the newly employed. They will have to focus on hitherto ancillary issues like job safety, job design, voluntary overtime, grievance procedures, and workers' control. Pay differentials would narrow. For some of the better-paid, powerful unions there would be a tough choice: either accept this trend or defeat full employment. Periodically in Britian a variant of this choice comes up before the miners, among others, who verge perpetually on the second alternative. Decidedly, it is a risk. Not even the AFL–CIO is a secure ally.

Full employment, finally, is an easy cliche but not an easy political choice. Huey Newton was quite correct in calling it a "revolutionary objective." It means reordering power relationships in a fundamental way. Some of the consequences, such as controls, carry a distinct risk of failure. Others are merely unpopular. But full employment comes as a package, and to pretend that an essential part of the package may be omitted is to indulge in wishful thinking or worse. Humphrey-Hawkins fell into this trap, and those who now urge its enactment risk, if they succeed, becoming both victim and perpetrator of an illusion. Their own constituents will believe, for a while, that a major concession has been won. But not for very long.

It is not easy to damn Jimmy Carter for his attitude of "economic recovery first." He never explicitly promised an immediate full-scale assault on unemployment, although much of his most important and dependent constituency, the working poor, the blacks, the Latins, voted for him in that expectation. Unemployment will be smaller and less intractable after the slow forces of recovery have run their course. Inflation probably will be worse, and the urgency of the truly difficult measures against it will be more apparent. The government machinery will, one hopes, be in better condition to meet the challenge.

But the case for a change in course is even stronger. For most Americans, a job is still the symbol and substance of a decent life. Whether we can overcome unemployment, despite the difficulties, is the test of the United States in the next generation, and is the standard by which President Carter will be judged. He can continue at the present pace, content with niggardly progress on unemployment, accumulating (perhaps) a record of structural accomplishment, and running the risk that the unemployed may not be so polite as to wait seven more years before exploding. Or he can risk all on a dangerous program of reforms. There is no evidence that he intends the latter. On the other hand, much depends on whether the friends of full employment have the courage and determination to force the issue.

4. SECURING TOTAL EMPLOYMENT: THE ROLE OF GOVERNMENT*

(By James O'Toole)

Full employment without inflation is generally accepted as a primary goal of national economic policy. Legitimate and important differences over definition aside, when the unemployment rate is down around the four percent level, this figure is widely taken as the prime indicator that employment conditions in the economy are healthy.

But full employment does not in itself signify a condition of true health in the labor market, it merely indicates the absence of serious or apparent illness. By way of analogy, a man with tuberculosis is clearly sick but is another man without visible signs of illness *ipso facto* healthy? Perhaps if we were to conduct a more searching examination, we might find his lungs black and deteriorating from smoking, his heart weakened from stress, or his resistance to all varieties of ailments lowered by mental depression or poor diet. Similarly, no clean bill of health could be granted automatically to even a full-employment economy unless the following kinds of latent or seldom diagnosed problems were eradicated from the body economic:

(1) Subemployment: working less than full time, full year (and often for less than the minimum wage) is a chronic problem for many workers. It has serious consequences for the life styles and life chances of families when it afflicts heads of households.

(2) Low-level employment: many disadvantaged and minority workers are trapped in jobs that offer them little in the way of dignity or self-esteem. These jobs are characterized by harsh and arbitrary discipline, unhealthy, unsafe, or inhumane working conditions, low pay, and the absence of a career path.

(3) Involuntary employment: many older people are forced to take jobs because they cannot live on their retirement incomes; many heads of households are forced to moonlight because they cannot attain a decent living standard for their families on wages from primary jobs; and many women who would prefer to stay home and rear their children are forced to take paid jobs in order to be eligible for social services.

(4) Underemployment—the underutilization of skills, training, and education of workers, described in the previous chapter.

The United States has not made much headway against these problems, in part because we pursue other problems that we can more readily measure. The measures used to evaluate public employment policy focus largely on unemployment statistics and the size of the labor market. These indicators are relatively unambiguous, but they tell us only whether jobs are available for all those workers in the *offical* labor force.

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* James O'Toole. Securing total employment: the role of government. In his work, learning, and the American future. San Francisco, Jossey—Bass Publishers, 1977: 71-88. Reprinted by permission of Jossey—Bass Publishers, 615 Montgomery St.) San Francisco, Cal. 94111. Copyright 1977.

This official measure of the size of the labor force is both important and controversial. It is a partial guide to how many jobs might have to be created in coming decades, but it excludes millions of people who might want jobs if they were available. For example, it excludes labor-force dropouts who have given up looking for work, students who stay in school because they cannot find jobs, people on welfare, and those who are in sheltered environments ranging from prisons to mental hospitals. The labor-force participation rate is important also because only those who are in the official labor force can be counted as either employed or unemployed. The relationship of the participation rate and the unemployment rate is not a simple one; indeed, it is quite fluid. For instance, when new jobs are created, they are often filled by people who are not in the official labor force. White middle-class women often are attracted into the labor force to take new jobs, while chronically unemployed black men and boys remain unemployed.

Over the past decade, the total size of the labor force as well as the size of the force as a percentage of total population have grown remarkably. Paradoxically, as the economy created new jobs at a clip unprecendented in history, rates of unemployment also rose. The primary reason behind this phenomenon has been the entry of millions of women into the paid labor force. In 1950, the female labor-force participation rate was 33.9 percent; by 1973 it was 44.7 percent. Most dramatically, the rate of participation by women with children aged six to seventeen went from 32.8 percent in 1950 to 52.6 percent in 1972. Between 1975 and 1976, the number of women job holders and job seekers increased by nearly two million and accounted for almost all the growth in the entire labor force.

Since rates of unemployment mask such shifts in the demographic make-up of the work force, they are imperfect measures of the health of the economy. Still, unemployment rates are important pieces of information and not to be made light of, especially in the midst of a recession. But recession is not a permanent condition, and the presence of a temporary crisis should not distract us from pursuing more durable, appropriate, and longer-term performance measures for public policy. Although by necessity we engage in crisis management," we should not forget that the latent problems outlined above are basic and enduring shortcomings in the labor market and will not vanish with the current recession.

Clearly, current labor-policy performance measures are inadequate to the challenges that these complex, deeply rooted problems present. They're inadequate, in brief, because they aggregate and thus obscure such problems as chronic subemployment and the existence of millions of labor-force dropouts. Moreover, the measures lead to the policy conclusion that simply creating more jobs will cure the major illnesses of the labor market. Unfortunately, the simple availablility of jobs is often not enough to satisfy the economic, social, and psychological needs that lead people to seek work. Although providing jobs is widely accepted as one of the best public-policy responses to such social problems as poverty, family disorganization, and physical and mental ill health, not just any jobs will do. In order for work to function as a lever on social problems, the right jobs must be made available at the right time to those who need them. This requirement is complicated by the fact that the work needs of individuals change—a job that is good for a young person is not necessarily good for the father of triplets. Moreover, the quality of a job is important in determining its value as an ameliorator of social problems—handicapped, disadvantaged, and other workers need to be able to build their self-esteem on their jobs. These are admittedly difficult demands to cope with because they introduce qualitative measures into an area where problems and solutions seemed to lend themselves so well to quantification.

From the point of view of public policy, these qualitative concerns also lead to two very frustrating conclusions. First, no monolithic program can satisfy the wide range of employment needs. Second, the creation of jobs through either macro-economic stimulation or public service employment are essential but woefully insufficient responses to the latent problems of employment.

Definitions and Myths

In the *Work in America* report, my colleagues and I suggested that total employment is a more appropriate measure of a healthy labor market than is full employment. *Total employment* is defined as a condition in which everyone who desires a job would be assured of finding one that reasonably satisfies his or her personal needs. Clearly, total employment cannot and should not be mandated by government fiat. It can only be achieved by policies designed to create greater freedom of choice for workers. People must have real options among an array of jobs offering different challenges, styles of supervision, physical working conditions, and working hours. They must be able to select the appropriate stages in their lives in which to seek paid employment. Such freedom of choice does not currently exist because of certain inflexibilities and inequalities in the labor market that restrict its free play. No doubt a variety of policies could help to remove some of these barriers and thus permit self-adjustment in the labor force—a process that may be the only equitable and nontotalitarian solution to the latent problems of employment.

Unfortunately, such policies are unlikely to be fully or fairly evaluated in the framework of the current orthodoxy of labor economics. One simply cannot measure the distance to the stars in quarts. Consequently, before moving on to a consideration of total employment policies, we need to examine some myths, fictions, and superstitions that currently misinform and constrain our vision.

Myth 1: The problems of unemployment can be solved simply by creating more jobs. Economists view unemployment as a condition in which the demand for existing jobs by those in the labor force exceeds current supply. This concept is quickly translated into the less sophisticated notion that unemployment means there is a shortage of jobs. Thus, when policy makers decide that the shortage has grown to intolerable proportions, they often pursue a simple and logical course—they use macro-economic stimulation to create more jobs. Paradoxically, this action may lead to even higher rates of unemployment because the new jobs attract people into the paid labor force who previously were not looking for jobs, as I pointed out earlier in discussing women's entry. Even in the unlikely event that the United States were to devise millions of new jobs through massive spending or a program of public-service employment, because of this "substitution effect" there would still be many people who would need, but would not be receiving, the benefits of a good, steady job.

Thus, the notion of shortage is basically nonfunctional in relation to policy development, which requires an alternative way of framing the problem. Apparently simple cases of shortages often can be better understood and acted upon if they are seen as complex problems of maldistribution and mismatching. Recent attempts to increase the supply of medical manpower illustrate this phenomenon. In the late 1960s, American medical schools made a concerted effort to gain a windfall in federal aid by convincing the American public that there was an acute shortage of doctors. This alarmist tactic almost worked—until more thoughtful analyses showed that the apparent deficiency is due more to a maldistribution of doctors both by specialty and geography than to general shortage across the board. There are more than enough psychiatrists in Manhattan, but too few pediatricians in the ghetto; there are so many radiologists in Los Angeles that they have to inflate their fees to keep their incomes above the so-called starvation level (seventy thousand a year), but there are not enough general practitioners in rural Iowa. Thus, what was called for was a system of incentives for the medical schools to correct these distribution problems, and such a program was enacted by the Congress in September 1974.

Similarly, the idea of unemployment itself may not be a valid guide to setting policy. If certain rigidities and blocks were removed from the job market, the total number of jobs might not be far short of the total number of people who want and need jobs at a given time. Here, too, poor distribution is a useful concept. That is, some people who do not want jobs are forced into the labor market because of tradition, laws, or the lack of available alternatives or resources, and such barriers exclude many others who want and need jobs. Those who might be reluctantly employed include: adults who would like to take a year or two off from their jobs to return to school; older people who would like to retire earlier than age sixty-three or sixty-five; welfare mothers who would rather stay home and rear their children than take the so-called incentive of a demeaning, poorly paying job; middle-class mothers who would like to care for their children but feel pressures to work from the woman's movement; and fathers who would rather stay home and take care of their children. Among those who would like to take jobs but cannot find them are the subemployed 20 to 35 percent of ghetto men and boys; teenagers who would rather work than be in school; women who prefer work in the labor market to work in their homes; retired people who would like at least some part-time work; and the so-called expendables of society—addicts, convicts, and the handicapped—many of whom would prefer honest labor to being warehoused in public institutions.

For nearly one hundred years, free-market industrial economies have tried to curb unemployment by increasing the *overall* number of jobs. Regrettably, and often tragically, these noble experiments have failed. A century is a fair test for a policy that does not work. Perhaps it is time to try another tack, one designed to make the labor market freer and more functional. To do this, we may need social inventions that balance the labor supply and demand by allowing unwilling workers to leave the labor force and thereby opening up jobs for people who want and need them. Such policies would attempt to remove the social and legal barriers, such as some social welfare regulations, that force reluctant people to work. At the same time, they would seek to provide opportunities—and, in appropriate instances, income—to people who would like to leave the paid work force and do unpaid work, such as school work, child care, and voluntary social service work.

We are not ready to consider these policies, however, because other myths reflexively force us to raise objections.

Myth 2: Work is paid employment. According to this definition, a housewife and mother does not work. Yet if her services are replaced by a housekeeper, babysitter, and cook, or if she herself performs these tasks for others, both she and her replacements are now considered workers because their salaries are contributions to the gross national product. There are many repercussions of this definition. It forces some poor women to take low-paying, unsatisfying jobs in order to become eligible for government health, welfare, and other social services. Society would benefit more from properly reared children, from lower costs for day care, and from a citizenry whose freedom of choice was preserved than from the fruits of the low-level employment of these poor mothers. The issue is different for the middle classes: women will not be liberated until women *and men* can freely choose to take jobs in the paid labor force, or to stay home and care for their children, or both. This liberation will only occur when child rearing is as highly valued by society as paid employment.

Similarly, much volunteer activity might also be considered work. Working in hospitals, in churches, on school boards, in scouting, and in local government is not paid employment, but it is every bit as important to society as are many activities for which there is compensation—such as much of the make-work of public and private bureaucracies.

Raising the status of child care and volunteer work to that of paid employment would not be easy. It would first involve eliminating provisions that require employment as a prerequisite for social services. It might also necessitate some cash payments or tax write-offs for these activities, as is the case in other nations where there are child allowances, mothers' pensions, and pay or tax breaks for community activities. We are not open, however, to considering such alternative policies, not only because we believe that work is paid labor, but also because of our adherence to the following related myth.

Myth 3: All paid labor is ennobling. Labor and welfare policies reflect the puritan views that any job is better than no job, and no one is too good for any job. Taken to the extreme, these beliefs often lead to an incredible contradiction manifested by many political leaders: they espouse that work is good for everyone, but at the same time they find it necessary to force people to work. If the former is true, why is it necessary to advocate the latter? How is it that those who preach the dignity of work also believe that work should be used as punishment? At the root of this contradiction is the simple fact that not all jobs are good jobs.

Although many jobs provide the social, psychological, and economic rewards that make work so essential and meaningful to life, some jobs offer none of these satisfactions. Not only do they fail to provide the worker with even minimal dignity, challenge, and economic resources, they may actually destroy an individual's self-esteem.

The nature of work, then, is a critically important variable in discussion of total employment. Related to the nature of work is the stage in one's life when one takes a certain kind of job. For example, picking fruit is not a bad summer job for a student, but it is literally lethal for migrant farmers and their families. There is nothing wrong with working in an unsteady, low-paying job if one is young and single, but if one tries to marry and raise a family in such an economic condition, the odds are that the marriage will quickly dissolve.

The devastating consequences of the nature of work experience on family life were illustrated to me in 1967 to 1968 while I was doing research in the black community of Los Angeles and in the Cape Coloured community of Cape Town, South Africa (O'Toole, 1973b). As I mentioned in Chapter One, there was considerable family disorganization in both communities especially among the poor. My original thesis was that the unemployment of fathers was the common cause of the high rates of desertion, separation, and mother-headed households found in both communities. In South Africa, however, I discovered that unemployment was only at the frictional level, and in Watts even the high 12 percent rate of adult unemployment could not account adequately for the extreme pathology in that ghetto. It occurred to me after I had completed my research that the crucial variable in both communities was the *nature* of the father's employment. In neither community were men who worked in unsteady, low-paying, demeaning, unskilled, and dead-end jobs likely to have the self-esteem or social or economic wherewithal to hold a family together. In Watts, I estimated that only 65 percent of the men over age eighteen worked full time, full year, and earned more than the minimum wage. That is, the subemployment rate for Watts was approximately 35 percent. It was not purely coincidental that in about a third of the homes in Watts the father was absent and that about a third of the families were on welfare. Of course, there were not always direct relationships among male subemployment, mother-centered families, and welfare cases, but the three factors correlated far more often than not.

From the point of view of family formation, then, all jobs are not good jobs. Moreover, the person who has paid employment in a family is a crucial variable. In both South Africa and the United States, nonwhite women were more employable than nonwhite men. Nevertheless, the availability of a job for a woman with small children had no positive effect on family cohesion or other social problems related to employment and poverty. It was the fathers of young children who needed paid employment. Ironically, welfare work-incentive programs in the United States are designed to get jobs for mothers instead of finding jobs for fathers of welfare children. Work programs are not directed to the fathers because they are not on welfare themselves, even though they are the proximate cause of their family's welfare status. Punishing welfare mothers by making them take undesirable jobs has little or no positive impact on the familial or employment problems of the chronically disadvantaged. (Of course, these women also need the freedom to take a paid job if they so choose.) Headway will be made in the ghetto only when all men who wish to have families can be assured of good, steady jobs that will enable them to support their families. Such a goal will not be realized, however, as long as the following myth is believed.

Myth 4: Total employment would entail the involuntary mobilization of millions of workers in public-service jobs. Many countries in which unemployment has ceased to be a problem—Russia and China, for example—have achieved total employment at the expense of personal liberty. The specter of such totalitarianism has been raised by the editors of the *Wall Street Journal* and others when arguing the case against *full* employment. But *total* employment is a nontotalitarian concept based on enhancing individual freedom of choice. Its goal is not to force every citizen to take a paid job but to remove artificial constraints and rigidities that restrict the free play of the labor market. Artificial educational credential requirements, discrimination based on age, sex, class, or race, and government policies that restrict educational aid to the young or require employment among the middle-aged are examples of constraints that might be removed.

Moreover, most employment is rather monolithic in terms of the hours workers are required to be on the job. There are not enough part-time jobs or jobs with flexible days or hours to provide workers with any choice. It is quite possible that providing greater opportunities for part-time jobs through job sharing would reduce some of our most intractable unemployment problems, even with less job-creation effort.

I have interviewed a number of unemployed people and have often come away with the feeling that working conditions are frequently a barrier to their taking jobs. The spectrum of reasons unemployed people give for their status is incredibly wide, but in many cases it boils down to the fact that the jobs that are available do not meet their specific needs and desires. For example, I recall an engineer who didn't want to take a job beneath that status, a blue-collar worker who wanted a job that was intellectually stimulating, a middle-class woman who wanted a job with training and promotion opportunities, an elderly man who wanted to work three or four days a week at a reduced salary in a union shop, and a young college graduate who wanted "to work in a team situation with interesting people." One wonders how much unemployment would be reduced if these workers and others like them had greater choice among the kinds of jobs and working conditions that were available? Even without increasing job creation efforts, it is probable that a great number of unemployed people could find jobs. What appears to be needed is the removal of certain legal and credential barriers to employment, better matching of jobs with individual social, psychological and economic needs, policies designed to create more diversity and flexibility in the conditions of work, and easier movement in and out of the labor market. We do not need a totalitarian concept of full employment. Rather, we must begin to think of ways to remove barriers that inhibit freedom of choice and human development.

However, since a free market works well only when its participants are relatively equal, it may be necessary to create some additional public-service jobs in order to produce greater job diversity and options for those people not fully served by the free market. But these kinds of jobs should be kept to a minimum, because they tend to be inferior to private-sector jobs (despite the denials of decent and well-meaning people). They quite often pay more, but in terms of challenge, autonomy, status, and opportunities for growth, they tend to fall short. As evidence presented in Chapter Three shows, in the public sector, clerical and service jobs constitute 42 percent of all employment (78 percent if teachers are excluded), while in the private sector such jobs account for only 28 percent of all employment (U.S. Department of Labor, 1974b). One out of three new jobs is being created in the public sector, and although these jobs are not exactly menial, 60 to 70 percent call for the employee to be an aide, attendant, assistant, clerical worker, custodian, or semi-skilled blue-collar worker. In addition to these criticisms of public employment, there is at least impressionistic evidence that private employment is more innovative, flexible, and responsive to the needs of workers. For example, the kinds of self-management described in Chapter Five and worker ownership described in Chapter Nine are all but impossible in the civil service, which, by necessity, must be first and foremost responsible to the voting public.

Another drawback of creating public-service jobs is that they end up going to middle-class people, not to those in the central cities who are most disadvantaged. The chronically subemployed individual has as much trouble holding a public-service job as he does holding jobs in the secondary labor market. At least with day-laboring jobs he does not need the senses of discipline, punctuality, and cooperation that are needed in jobs created under the Comprehensive Employment and Training Act of 1973 (CETA) and other public-service programs. To find ways to make government employment serve those who most need it, the Manpower Demonstration Research Corporation of New York has begun a series of experiments with alternative working conditions. They hope to identify the conditions under which hard-core unemployables can find success on the job. For example, in some cases the workers are not held to strict standards of punctuality and attendance to start with, but gradually the standards are increased as the workers build their work habits. So far, this is all theory and experiment. Until there are solid findings, public-service jobs will continue to benefit primarily the middle class.

There is also some evidence that public service jobs do not make the best use of government expenditures for job creation. Apparently, the number of jobs created varies considerably from one government program to another. The following table (drawn from several not terribly reliable sources) illustrates the number of jobs created by spending one billion federal dollars in various ways.

51,000 jobs if spent on highway construction (Bezdek and Hannon, 1974).
55,000 jobs if spent on defense contracts (Babson and Brigham, 1976).
60,000 jobs if spent on CETA-like public-service programs (Wall Street Journal, 1976).
76,000 jobs if spent on public housing construction (Babson and Brigham, 1976).
84,000 jobs if spent on health programs (not construction) (Bezdek and Hannon, 1974).
85,000 jobs if spent on water treatment plants (Porter 1975).
90,000 jobs if spent on education programs (not construction) (Babson and Brigham, 1976).

The actual numbers here are irrelevant. What is important is that every dollar spent by government influences new employment opportunities, that different programs have different job-creation effects, and that CETA-like public-service programs, while not the least effective, are far from being the most effective job-creation tools at the disposal of the government.

For all their liabilities, public-service jobs are nevertheless popular with politicians and the public because they give the impression of forceful and direct action on the problems of unemployment. It is hard and slow work to create jobs that produce goods and services in actual demand, but it is easy and fast to start up training programs and public-service employment. Yet the latter programs are basically palliatives, and because they do not treat the *causes* of unemployment they may even be counterproductive in that by alleviating the *symptoms* they remove pressures to act on the root causes. When unemployment reaches 7 or 8 percent, advocates of public-service jobs are able to command a wide audience (and are usually able to get a public-employment bill passed in Congress). Then, when unemployment slips back to 5 or 6 percent for cyclical reasons, the public quickly turns its attention to other areas of concern, satisfied that the prompt and wise leadership in Washington has adequately dealt with the problem. Consequently, true reforms are seldom considered, and the damaging problems of subemployment, low-level employment, and involuntary employment remain and grow worse.

The government does have a role in employment, but it should be more creative in applying its funds and regulatory powers in order to produce not only more jobs in the private sector, but more good jobs. For example, in Chapter One I suggested how a new returnable bottle law might create jobs. In another case government could create either 423,000 new jobs with a health program or 256,000 with a highway program—both for an identical investment of $5 billion. In making spending decisions, government should consider both the number of jobs to be created and their potential for producing steady, challenging work with career mobility. (See Chapter Ten for a development of this notion.) Thus, it is more effective for government to use its power to create jobs in the private profit and nonprofit sectors than it is to create public-service employment. In no fashion does a policy of total employment require either worker coercion or greatly increased government employment.

Myth 5: Total employment requires economic growth. In the future, the rate of unemployment may fall toward zero, even without much economic growth. Indeed, within the next thirty years employment rates may be reported negatively, expressing a situation in which demand for workers exceeds supply. The convergence of five trends makes such a zero-growth, total-employment future a distinct possibility: (1) The rising costs of energy may lead to the increasing substitution of labor for capital. (2) The increasing scarcity of capital in our economy may lead to more labor-intensive enterprises. (3) The continued shift from an industry-based economy to a services base will create more jobs. (4) Environmentalist pressures will exacerbate the shift away from capital-intensive, "dirty" industries (metals and mining, for example) toward "cleaner," labor-intensive health, education, and other services. (5) There will be a demographic shift, culminating in about thirty-five years, which will cause the proportion of retired persons in the population to be greater than ever before in American history. Each of these five trends would have the effect of lowering productivity and economic growth while increasing the demand for workers.

Whereas unemployment in the traditional sense will probably disappear in the United States in the future, the broader issue of underemployment might become more acute for all social classes because trends toward labor intensivity and zero economic growth could lead to a greater number of routine jobs. (These issues are elaborated in Chapter Ten.) Here again, macro-economic policies and public-service employment are ineffective tools. The problem is not a shortage of jobs, but a poor mix of jobs. Looking at employment through these new lenses, we focus our attention on policies designed to remove rigidities in the labor market, to enhance individual freedom of choice, to increase the flexibility and variety of jobs, and to encourage human development. Such policies for total employment, although devilishly difficult to pursue, are at least not trade-offs against inflation.

Myth 6: Total employment is inflationary. We are now painfully aware that *high* rates of unemployment and inflation can exist together. Does this mean that it is also possible to concurrently experience *low* rates of unemployment and inflation? The current contradiction of the Phillip's curve trade-off reopens this possibility for discussion.

It is appropriate here to look at some nontraditional employment policies that either are immune to inflation or are proved inflation fighters. Obviously, total-employment policies that consider the problem to be maldistribution rather than a shortage of jobs bypasses the issue of inflation. If one's tool for fighting unemployment is not macroeconomic, then there is little problem of its directly fueling inflation.

A non-macro-economic policy of note in this regard is manifested in West Germany's active manpower planning and training program, referred to in Chapter One. The German strategy for worker retraining and job change recognizes that career immobility can be a source of worker discontent and of inflationary pressures. Although the German program is not demonstrably associated with that country's relatively low rates of inflation and unemployment, many economists on both sides of the Atlantic argue that it has not hurt (Striner, 1972). Several economists propose for the U.S. a similar program that would decrease oversupplies of labor in declining industries and occupations by retraining workers for places where they will be more productive and where critical manpower shortages might otherwise create inflationary bottlenecks (Holt, 1971). Even at a possible cost of four billion dollars, such a program is attractive not only because it would lower the rate of inflation, but because it would create a quarter of a million jobs. It also strikes directly at the problems of underemployment.

Several other employment policies could make lesser, but still significant, contributions to lowering inflation. The following measures would tend either to increase the mobility or productivity of workers or to increase the efficiency of the economy, thereby helping to reduce the rate of inflation for any given level of employment: (1) reducing race, sex, and age discrimination; (2) increasing mobility and vesting of pensions; (3) introducing profit sharing tied to worker or small-group productivity; and (4) redesigning jobs.

Alternative policies

What is important about all of these proposals is that they are compatible with the total-employment approach I've been describing. Although such an approach assumes the importance of using macroeconomic policy to keep inflation and unemployment as low as possible, the strategy is not *dependent* solely on macro-economic policy, public service employment or any traditional economic methods for creating new jobs. That is how it differs from what we have, and that is why it probably has a greater chance of success than does the current approach.

In order to create total employment, a series of discrete but compatible private and public programs must be undertaken, many of which can be initiated at the state, community, or plant level. Such programs might do one or more of the following: facilitate the withdrawal from the paid labor force of reluctant workers; help those who need and want jobs to acquire them; increase the mobility of workers; and make the job market more flexible. Possible program strategies might be to:

Reduce institutional rigidities in the labor market, such as seniority rules. Remove the minimum-wage requirements for those under twenty years of age and unmarried and raise them for persons over twenty and for under-twenties who are married.

Remove all government regulations in which employment is a prerequisite for social services. For example, make unpaid individuals engaged in rearing children eligible for social security benefits.

Provide a program of mid-career worker training or sabbaticals that covers school tuition and a substantial part of foregone income.

Provide programs that allow workers to taper off before retirement: for example, fifty-five-year-olds could work four days and sixty-year olds three days. Conversely, those over sixty-five would be permitted to work without penalty if they so elected.

Establish a system of domestic "Fulbrights" for people who would like to take a year or two away from their regular jobs to engage in some kind of public service. Xerox has such a program for its employees.

Provide a guaranteed minimum annual income through a negative-income-tax scheme.

Stop massive immigration except for political or humanitarian reasons.

Permit cities to charter and operate banks. These banks would underwrite loans to individuals or groups wishing to start nonprofit or cooperatively owned businesses that met the employment needs of an underserved group or community. For example, businesses would be eligible if they offered meaningful employment to the aged, youth, or minorities, or if they provided such groups with training to do meaningful but rare types of work, such as skilled crafts and repairs.

Provide human-depreciation tax allowances or employment tax credits linked to the ratio of employment to fixed plant and equipment. Both policies (or others like them) would encourage the use of labor-intensive processes in industry.

Encourage the creation of community councils designed to: (1) match people with work and education opportunities; (2) counsel employers in the redesign of jobs; (3) lobby for the creation of part-time and flexible jobs; and (4) engage in local manpower planning (Wirtz, 1975).

Provide more part-time jobs and job sharing. One example is the Pitney Bowes program, mentioned earlier, that permits two mothers to split one job. At some universities, a husband and wife may share a faculty appointment. Britain's Patrick Goldring (1974) suggests that if everyone were permitted to hold two jobs the worker in a bad job might find some satisfaction in another, better position; stressful executives could unwind in manual jobs; and potentially redundant workers could spend part of their work time in preparation for a future job. Although his proposal is fraught with practical obstacles to realization, it at least offers a response to the way society has segmented the work, leisure, education, and family aspects of our lives, producing workers who hate their work, who find no release in their leisure, and who find little time for their families.

This list of possible programs could be twice as long, and I am not certain that all the items included are either desirable or feasible. What is important is that we can and should start thinking in terms of such alternatives to traditional approaches. Although each such program has a cost, its potential benefits must be considered, not only in economic terms, but in terms of their effect on mental and physical health, crime, family cohesion, and social and political alienation. Moreover, one has to weigh the inflationary aspects of the alternative macro-economic policies and the costs of not acting at all in terms of lost income, taxes, and production.

In sum, total employment can be achieved through opening up the labor market, removing institutional rigidities, and offering people greater freedom to choose when and where they will work. Such a policy is appropriate now and will still be appropriate in the future when employment conditions change. Such a policy is equitable because it favors no race, class, age, or sex. And furthermore, it is compatible with traditional free-market principles.

Many things can be done on the local level using this approach that do not require federal initiatives. In particular, the problems of underemployment do not lend themselves to federal programs but are, as the next chapter argues, the rightful responsibility of employers and unions.

5. AGAINST A FEDERAL GUARANTEED EMPLOYMENT PROGRAM*

(By Dave M. O'Neill)

This is 1973, not 1933. Stereotyped thinking notwithstanding, unemployment is no longer a significant cause of poverty. The vast majority of people who experience unemployment during any year are not members of the poverty population and, conversely, the vast majority of the poverty population does not experience involuntary unemployment. If modern poverty is related in any way to the labor market, it is via the low wages of the working poor. Government policy may have a role here, but definitely not in the form of large-scale job creation programs.

Moreover, even if there is some small amount of poverty that is the direct result of the inability of low-productivity persons to find jobs (even after a reasonable amount of search and at a wage realistic for their productivity), the chances that a large-scale public service employment program will alleviate this special problem are practically nil. Experience under the recent Emergency Employment Act program suggests that it is a lot easier to talk about creating jobs and filling them with very disadvantaged persons than it is actually to persuade local officials to behave in this way with the federal funds.

But perhaps the most tragic feature in committing the government to such a wrong-headed approach to modern poverty is that the commitment would divert resources and enthusiasm away from other, much more sensible policies: income supplements for the adult working poor; more generous welfare payments to the disabled poor; more and better developmental programs to enable the children of the poor to break the cycle of poverty and welfare. All these policy approaches will suffer from lack of funding and interest if a large commitment is made to the public job creation approach to poverty.

POVERTY, UNEMPLOYMENT AND THE LABOR MARKET

Table 1 gives the distribution of poor family heads and poor unrelated individuals according to work experience in 1971.[1] Note that fully half of all poor family heads and unrelated individuals live in poverty for reasons—old age, disability, disease and family disorganization—that are not only totally unrelated to unemployment but are also only remotely connected with the labor market in any way. For the other half, those who worked either full year, full time, or part year, their inability to obtain anything but low paying jobs, rather than their unemployment, is the major cause of their poverty. Although the annual incidence of unemployment among the working poor is about twice that among the working non-poor, the fact that only about half the poor are able to work means that unemployment is a very minor cause of poverty in the present United States economy.

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* Dave M. O'Neill in Current History, v. 65, August 1973: 76–79, 88. Reprinted by permission of Current History, Inc., 4225 Main St., Philadelphia, Penna. 19127. Copyright 1973.

[1] This section draws heavily on an article by Jacob Mincer, "Poverty and the Labor Market," in *The National Bureau of Economic Research Survey of Research into Poverty Labor Markets: Final Report*, a report prepared for the Office of Economic Opportunity.

This lack of significant connection between unemployment and modern day poverty will strike some readers as so unbelievable that it may be worthwhile to demonstrate the situation from another point of view—by looking at the classification of the unemployed according to various characteristics.

Table 2 shows various characteristics of the 4.4 million people who reported themselves unemployed during the survey week in February, 1973. The data on duration of unemployment suggest that the average length of a spell of unemployment is probably about 11 weeks. This is not likely to throw one into a life of poverty. In most states, unemployment insurance benefits go on for at least six months.

The data on reasons for becoming unemployed are also enlightening. People who voluntarily leave jobs and workers just entering or reentering the labor force make up fully 61 per cent of the unemployed.

TABLE 1.—WORK EXPERIENCE: FAMILY HEADS AND UNRELATED INDIVIDUALS BELOW THE LOW-INCOME LEVEL IN 1971

	Family heads		Unrelated individuals	
	Number (thousands)	Percent of distribution	Number (thousands)	Percent of distribution
Total	5,231	100.0	5,151	100.0
Worked	2,809	54.0	1,622	31.5
Full time, full year	1,084	20.7	292	5.6
Part year (u) [1]	655	12.5	....	25.4
Part year (other)	1,070	20.4	[2] (1,330)	....
Did not work	2,422	46.0	3,530	68.5
Unemployment	118	2.2	83	2.3
Other reasons	2,304	43.8	3,447	66.2

[1] Those who gave unemployment as the reason for not working a full year.

[2] Data are not published showing the reasons for the part-year experience of unrelated part-year workers.

Source: Current Population Reports, Series P. 60, Consumer Income, No. 86, December 1972.

TABLE 2.—SELECTED CHARACTERISTICS OF UNEMPLOYED WORKERS, FEB. 3, 1973

[Seasonally adjusted] [1]

Characteristic	Number (thousands)	Percent of distribution
Duration of unemployment:		
Total unemployed	4,484	100.0
Less than 5 weeks	2,324	51.8
5 to 14 weeks	1,265	28.2
15 to 26 weeks	530	11.8
27 weeks and over	365	8.1
Reasons for unemployment:		
Total unemployed	4,442	100.0
Lost last job	1,724	38.7
Left last job	671	15.1
Reentered labor force	1,377	30.9
Never worked before	684	15.4

[1] Because of independent seasonal adjustments of the component series the figures for total unemployed in this table only approximate the actual number of unemployed in February.

Source: Employment and Earnings, vol. 19, No. 4, October 1972, table A-12 and A-14.

Clearly, one would find individuals who are living in poverty on account of unemployment only within the subgroup who have lost their jobs involuntarily and have also remained unemployed for a very long time. In February, 1973, there were approximately 125,000 unemployed adult males who were both job-losers and unemployed for 27 weeks or more.

Thus, to the extent that poverty is related at all to unemployment, the size of the job creation program that would be needed would be a very modest one, say about 100,000 job slots at the very maximum.[2]

However, one might still argue for a large-scale public job creation program for the poor on the grounds that the working poor, if not actually unemployed, are underemployed, and that the government should provide jobs that pay a higher wage.[3] In considering the merit of this proposal, it is useful to distinguish mature adults and the elderly working poor from the young adult and teenage working poor.

Programs should be developed for the young working poor to provide financing, information and motivation to lead these young people into the mainstream of skill acquisition and career planning. Putting them into artificially created public employment jobs would amount to saying that they have no potential for development. Given the uncertain tenure and possibly depressing nature of the job slots that would be created, this approach might also very well do more harm than good.

It is probably true that not much can be done for the older working poor via programs for promoting skill acquisition and geographic mobility. Thus it is tempting to argue that they should be placed in specially created public jobs which would have higher rates of pay and would yield incomes above the poverty line. The argument against this superficially appealing approach is straightforward—there are far less costly ways of augmenting the income of the working poor.

Some form of negative income tax scheme has obvious administrative advantages over public job creation programs for augmenting the incomes of the working poor. In addition, one must recognize that many of the "created" jobs would turn out in practice to be "make-work" jobs with very little socially useful output involved. Thus, in transferring a poor worker from his private sector job, society would be exchanging his positive (albeit small) social product in the private sector for his negligible or zero product in the public sector. This would constitute a real (although not highly visible) cost of the job creation approach. Finally, there is the problem of the morale and productivity of non-poor public sector workers. They have presumably obtained their jobs on the basis of merit-related criteria. How would they react to the preferential treatment that would be accorded poor workers?

As a final point, it is important to note that regardless of what government program is adopted to aid the working poor, general economic growth factors are well on their way toward eliminating the phenomenon of "working poverty." In 1959, 4.8 million male family heads who worked lived in poverty; in 1971, the number had dropped to 2 million. The major cause of this trend was undoubtedly the growth in the productivity of poor workers because of growth in the economy. If the 1959–1971 trend is projected into the future, it appears that the phenomenon of working poverty, at least among male-headed families, will disappear in about 15 years.

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[2] This figure is arrived at by dividing the total number of poor people who experienced any unemployment at all in 1971 by 5 and dividing the result in half. The total number experiencing unemployment was estimated from the data in Table 1 to be about 1,000,000. This estimate assumes that about 10 percent of the unrelated part-year workers experienced unemployment. Dividing by 5 assumes that the average duration of unemployment is about 11 weeks. Dividing the result in half allows for the usual amount of short-duration unemployment experienced by all groups in the labor force.

[3] See Harold Sheppard's article in *The Political Economy of Public Service Employment*, Sheppard, Harrison and Spring, eds. (Indianapolis: Heath, 1972).

Public employment programs

Placing the working poor into public jobs is a bad idea in itself. Moreover, even the notion that in practice large numbers of the poor will actually end up in the public jobs that are created is overly optimistic.

This assertion will strike many as implausible. How can it be that a modern government like the United States cannot set up and administer a program that would accomplish such a simple objective—to use tax revenues to place poor people in public service jobs? All that has to be done, it would appear, is to mandate in the legislation creating the program that only poor people be hired with the funds appropriated for the program. Unfortunately, in practice, the real world and human nature being what they are, things are not that simple. Behold the workings of the Public Employment Program (PEP) that was created by the Emergency Employment Act (EEA) of 1971.

The EEA authorized $750 million for FY 1972 and about $1.2 billion for FY 1973 to create public sector jobs for the twin objectives of (1) providing needed public services; and (2) helping to reduce unemployment, *especially of disadvantaged hard-to-employ poor people*. Has the PEP achieved its objectives? Preliminary evaluative studies conclude that it probably has not. And although the data currently available for evaluative purposes are skimpy, the two sources that have reported lukewarm evaluations—Sar Levitan and the National Urban Coalition—are not enemies of federal manpower programs.[4]

In practice, local governments utilized part of the PEP funds to ease their own tax burdens. In other words, some unknown (but possibly very large) percentage of the program's 150,000 slots went to fill posts that would have been funded out of local borrowing or taxes in the absence of federal funds. Also, not surprisingly, the characteristics of those actually employed did not reflect the characteristics of the disadvantaged working poor population. For example, fully 78 percent were at least high school graduates, including many old, retired military officers who slipped in under a veterans' preference clause that was supposed to apply to Vietnam veterans only.

In short, the current small-scale public employment program is in all likelihood a failure in attaining either the objective of reducing the unemployment of the poor or in creating a net addition to local public services.

To be fair, one should note here that the EEA of 1971 created a public employment program that is a far cry from the program urged by the more vigorous proponents of the public job creation approach to poverty. The Nixon administration opposed the concept of public employment to combat poverty from the outset. Initial forms of the legislation put forth by Democratic senators were vetoed; thus the existing bill's structure and provisions reflect the compromise that came out of a partisan struggle; inclusion of the word "emergency" in the title; ample use of the modifier "transitional"; provision for an automatic shutoff of most of the funds when the aggregate unemployment rate dips below 4.5 percent. Finally, and most important, it is a relatively small program (about 150,000 job slots in all) and was scheduled to terminate in two years.

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[4] See Sar Levitan and Robert Taggart, "The Emergency Employment Act: An Interim Assessment," *Monthly Labor Review*, June 1972. *The Public Employment Program: An Evaluation by The National Urban Coalition*, The National Urban Coalition, 2100 M Street, N.W., Washington, D.C.

However, the failure of PEP apparently has significant bearing on the potential of more ambitious programs. After all, the only important difference between the existing EEA and the proposals of liberal Senators is the size of appropriation involved. The language and criteria used in the large-scale bills proposed by the Democrats appear even less likely to insure that very poor people would actually end up in the newly created jobs.

Elements of a positive program

It is relatively easy to criticize existing programs and ideas. It is much harder to suggest wiser approaches. If large-scale public employment programs are not the answer to the poverty problem, then what is? The following program has four main parts. The first two deal with ameliorating the poverty of the older poor who are able (and do) work, while the last two cover two groups of the younger poor—disadvantaged male youth and young welfare mothers.[5]

A Realistic Role for Public Job Creation. As was noted above, some very small amount of the poverty problem is due to long term structural unemployment. There are a few older low-productivity workers who have either been marooned in a depressed area of the country or are victims of inflexible retirement systems of one sort or another. Whatever the cause of their inability to find work (even after a reasonable period of job search), their desire for work per se (as opposed to income transfers) is a legitimate concern of public policy and does create a demand for a *very small-scale* public employment program. However, in order to insure that this small-scale program reaches the long-term unemployed poor in practice, major changes in the administrative methods used to implement public job creation programs will be required.

Perhaps the most important administrative innovation will be to stop using simple measures of unemployment incidence as a basis for the geographical allocation of funds and individual eligibility. The EEA's allocation rule makes the amount a state gets a direct function of the number of unemployed individuals in the state regardless of their classification, either according to the reason they became unemployed or according to the duration of their unemployment. Although this simple-minded allocation might have been sufficient in the 1930's, when unemployment and poverty were largely overlapping, it can lead to inequitable allocations by area in the 1970's. Many relatively prosperous high-growth areas of the country (e.g., California) have had above average unemployment rates for the past 15 years. The reason for this phenomenon has nothing to do with poverty. Indeed, it has to do with something opposite to poverty—the migration of large numbers of (non-poor) people seeking to better their economic opportunities. In-migrants always experience above-average unemployment after they arrive in a new area. Thus, to insure that funds will actually be targeted on the structurally unemployed poor, legislative rules for area allocation and eligibility must utilize information on duration of unemployment, age, wage in last job, reason for becoming unemployed, and so on.

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[5] Programs and policies for the rest of the poor—those who are unable to work because of non-labor-market related reasons—are not covered here.

In a well targeted job creation program, further, the types of job slots created must be in line with the abilities of very low-productivity older workers. If the legislation mandates the creation of fairly high quality jobs (along with moderately high salaries), this will greatly reduce the probability that the poor will actually be hired to fill them. Such a mandate might also create serious inequities between the working poor in the private sector and those structurally unemployed poor who end up in the public jobs. In this regard, the success of the very small ($30 million) Operation Mainstream program in placing aged unemployed individuals in modest public jobs should be studied.

Income Supplements for the Working Poor. The Negative Income Tax (NIT) approach to alleviating the hardships associated with low income status is discussed elsewhere in this issue.[6] The working poor need more money income—that is their main problem. Any program that will simply place more money income at their command commends itself both on the grounds of cost-saving efficiency and on the grounds that it would cause the least amount of embarrassment for the working poor people.

Why has such a straightforward anti-poverty policy not been instituted? The main reason appears to be that mass uncertainty exists with regard to two issues: (1) would the existence of a negative income tax induce a large number of working poor people to reduce their work effort? and (2) would any negative income tax bill that was passed be *in addition to*, or a *substitute for*, the current rag-bag of in-kind income supplements that the working poor already receive. The results of large-scale work-incentive experiments will become available soon and should shed some light on the first question. The answer to the second question will involve clarification of just how to treat in-kind income (e.g., public housing, food stamps, medicare and so on) in our discussions of poverty lines and appropriate levels of income supplements. In the interest of a sane, consistent approach to the poverty problem, in-kind and cash income should both be counted in determining levels of need and program objectives. Thus, if the in-kind programs are to be retained, then the level of the cash-income supplement does not have to be nearly so high as if the in-kind programs are to be discontinued.

Information, Financing and Motivation for the Young. The government should refocus its entire manpower effort so that it deals exclusively with disadvantaged youth. A major strategic mistake of manpower policy in the 1960's was government involvement in problem areas in which it had no legitimate interest. Large numbers of non-disadvantaged adults passed through the portals of the MDTA[7] program. Many observers took this apparent demand as evidence of program effectiveness. However, subsequent follow-up studies failed to discover any impact of the training on the long-run earnings capacity of these "trained" adults. One can only conclude that the generous training allowances created the apparent demand for this program.

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[6] See the articles by Robert McNown, Larry Singell and Richard Pious.

[7] Manpower Development and Training Act.

But this is not surprising. The private market sector is an efficient engine for getting much human as well as physical capital financed and produced. The only situation in which the private market mechanism could be expected to fail would be in the case of the disadvantaged youth who, because of lack of information, funds, and motivation, failed to make the requisite investment in human capital at the crucial early stage in life. This, then, should be the focus of manpower policy in the 1970's. Manpower policy should be integrated with policies toward high school that involve drop-out prevention, career counseling, and so on. In fact, it would probably be a wise strategy to drop the term "manpower" altogether. A better name for the overall program should be "Career Development Assistance." Its starting point should be the early years of high school and it should make available to the very young man a veritable avalanche of options including Job Corps, on the job training, two-year college, four-year college, migration assistance, marriage counseling, psychotherapy, and so on.

Young Welfare Mothers. The problem here is how to prevent these young girls from joining the welfare roles. The current manpower policy approach to welfare mothers (the Work Incentive Program), although it has increased the total amount of work effort among AFDC mothers, has not made a dent in either overall welfare costs or caseloads. The only realistic solution to the dependent children problem is prevention. Somehow programs must be devised to make a young girl growing up in the ghetto feel that she will be better off if she foregoes the welfare life style and opts for the standard middle-class life style, avoiding illegitimate births. What kind of a program will produce this result? This is one of the major challenges for social research in the 1970's.

6. CONTROVERSY OVER THE HUMPHREY-HAWKINS PROPOSALS TO CONTROL UNEMPLOYMENT: CON* [1]

(By Michael Markowitz, National Association of Manufacturers)

The NAM recognizes fully the magnitude of the unemployment problem and its disastrous effects on the entire economy. We believe that the concept of expanding public service jobs to take up the slack in periods of substantial unemployment has much merit.

We are not opposed to that concept in principle or in total. However, we do believe that this Utopian concept of the guaranteed job for everyone as would be provided in H.R. 50 would present serious problems, and we believe that these problems would outweigh the benefits that this bill would offer.

We therefore go on record as opposing H.R. 50 as presently written. There are a number of reasons. First of all, we believe that under this bill you would have a good many unqualified people entering the work force.

Second, we believe that this legislation, as it is written, would probably produce an imbalance between buying power or demand and production or supply of goods and perpetuate what we think is the present inflationary spiral which hopefully will begin to abate but which under the provisions of this bill most likely would not.

Third, we feel that the tremendous cost of the program as outlined in H.R. 50 would outweigh its benefits.

Finally, we believe there are a number of defects and ambiguities in the actual structure of the bill which ought to be brought to light so that there is opportunity to correct them.

We believe the bill's sponsors are really providing a legislative vehicle for job applicants to sue the Federal Government, not only if they feel they have been unfairly treated in their search for employment, but if they feel they are not being paid at rates bearing a positive relationship to their qualifications, experience, and training.

Clearly, there are no wholly effective criteria which could possibly be developed to determine this relationship in individual cases and to flood the courts with these kinds of cases is clearly unwarranted.

We also believe the injection of people not competent to perform a job in any enterprise would undoubtedly slow down or disrupt the process of that enterprise and indeed its efficiency. We do not believe this is in anyone's interest.

Another point we wish to make is we feel there is a danger that the structure of the work force growing out of the mechanism contained in the bill could be overweighted on the side of the public sector and this could be unhealthy in the long run, even unhealthier perhaps than the normal rate of unemployment.

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* Michael Markowitz, National Association of Manufacturers, in Controversy over the Humphrey-Hawkins proposals to control unemployment: pro and con. Congressional digest, v. 55, June-July 1976: 187, 189, 191. Reprinted by permission of Congressional Digest Corp., 3231 P St., N.W., Washington, D.C. 20007. Copyright 1976.

[1] From testimony presented on March 18, 1975, before the Subcommittee on Equal Opportunities of the House Committee on Education and Labor in the course of hearings on H.R. 50 which, at the time of original introduction, was termed the "Equal Opportunity and Full Employment Act."

It insures, we believe, that the consumer buying power will continue to escalate across the board without a corresponding increase in production.

Therefore, the prices of the limited supply of goods would continue to rise adding further fuel to the fires of inflation.

While this would be true to a certain extent in any public works program, on the scale contemplated here, the problems posed would be substantial.

The number of people in the Government on the payroll would be out of all proportion to the number employed in the private sector.

One further concern regarding this kind of extensive public employment program is the substitution effect. That is always a risk. By this, we mean the drawing of low-paid full-time or part-time workers out of the private sector in search of higher paying public service jobs.

There are complex problems involved in determining the types of jobs to be made available, who should get them and the wage level necessary to attract workers into the programs without drawing them out of the private sector.

We think any policy of incorporating an extensive public service job program must consider these questions carefully, and a program of the type contemplated here would face, we think, substantial problems in this regard.

We are concerned about the very real possibility that this kind of program, an expansion program, would aggravate the present unemployment situation bringing people who are presently really not in the job market into the job market.

We do not see the point of a government funded program that should be specially concerned with providing jobs for those who normally would be in the work force, either presently or would wish to be under present circumstances, becoming a bonanza for those who otherwise really would not want to be in the work force.

A third point that we want to make is that we believe the members of this committee must consider the cost to the people of this country that this legislation would entail as compared to the benefits to be derived from it.

One point that concerns us is that there is no limit provided, as I read the bill, for funds to implement this program. It would be open-ended as I read it.

We believe that the cost of administration alone for a program on this scale would be phenomenal. We have the Job Guarantee Office expanded, local training community job boards, a reservoir of public service and private employment projects, the Standby Job Corps and Community Public Service Work Reservoirs, all within each community.

In addition, section 5(d) provides for "special" assistance including but not limited to counseling, training, and, where necessary, transportation and migration assistance.

To actually employ and pay for all the people who show up at the Job Guarantee Office will cost an enormous sum in tax dollars.

The inflationary impact of this proposal cannot be overstated.

At a time when our Federal budget deficit is skyrocketing, the approach in H.R. 50 needs close and thoughtful re-examination. We note that the committee has made the control of inflation a priority item in section 3(c) of the revised bill.

Yet, we submit that the very nature and extent of the bill itself are not compatible with that goal. The net effect of the bill will be a rapid injection of money into the economy, creating a demand-pull inflation, at least in the short term, which will only exacerbate our economic situation.

There are inequalities in this legislation that cannot be overlooked. One of the most obvious is the bill's approach to compensation, which we believe clearly violates the principle of "equal pay for equal work."

The bill, as written, could, in effect, provide for vastly different rates of pay, based on prior work experience or even based on education.

This seems totally inequitable, and would create tensions on the job in addition to the strain on the economy. This pay differential would be established regardless of whether the individual's education or work background is relevant to the job in question, as we read the bill.

The task of effective administration would not only be prohibitive in cost but impossible from a practical point of view. The multiplicity of institutions called for to carry out the provisions of this bill is staggering and any coordination of this mammoth structure is almost unimaginable. We urge the committee to carefully reconsider the enormous administrative problems inherent in such a proposal.

We do subscribe to the need for public service jobs, but only when such a system is clearly thought out and constructed.

Public service job opportunities made available through existing channels, in addition to full use of the unemployment compensation system, present a far better alternative than the mammoth and unworkable system envisaged by this legislation.

This is not to say that the present system cannot be improved upon—but H.R. 50, we do not believe is the way to do it.

We believe that efforts should be directed primarily toward stimulating the productive capacity of industry and increasing employment opportunities in the private sector. There is a desperate need in our country today for industrial expansion and we need broader, more comprehensive training programs, especially in the private sector to improve the performance of those entering the labor force.

Such training programs should be geared especially toward upgrading the skills of women, teenagers, and minority groups who have in the past found it most difficult to find jobs.

Only through such an approach can we insure that a rise in our Nation's overall productivity will accompany an increase in numbers of people employed.

Let me close by reiterating our concern about the unemployment situation facing our Nation today. We do not want to be adversaries in the search for better ways to combat this problem.

More jobs mean increased buying power for industry's products. But we urge this committee to abandon consideration of this unworkable bill and to turn its attention instead to constructive proposals for improving our Nation's economic health.

7. HIGH EMPLOYMENT AND INCOME MAINTENANCE POLICY*

(By Chamber of Commerce of the United States, Council on Trends and Perspective)

Neither the analysis nor the conclusions in this report necessarily reflect the policies of the Chamber of Commerce of the United States. The Council on Trends and Perspective is an anticipatory study group of the National Chamber. Its function is to provide a framework of thinking and analysis within which to consider emerging national problems and broad policy issues. Unlike the standing committees of the Chamber, the Council does not make direct policy recommendations to the Chamber Board of Directors. In reporting its studies to the Board, the Council asks that they be referred to the Chamber's standing committees for study and consideration.

The Council on Trends and Perspective has been unanimous in agreeing on the importance of the issues discussed in this report and in wishing to bring them to the attention of the Chamber's Board. The entire Council, moreover, supports the overall analysis and line of argument in the report. It should be understood that individual Council members may not agree with every statement in the report. As with all Council reports, each member has had the opportunity to disassociate himself from the report if he so chose.

INTRODUCTION

THE EMPLOYMENT ACT OF 1946

For thirty years, the Employment Act of 1946 has been a cornerstone of national economic and social policy. Signed into law by President Truman on February 20, 1946, the Act assigned the federal government responsibility for creating and maintaining the conditions under which people able, willing, and seeking to work could find useful employment and it decreed that the federal government should use all its plans, functions, and resources to fulfill this responsibility. Although the term "full employment" was deliberately omitted from the Act, the Employment Act in fact made "full" or "high" employment—undefined—the primary goal of national economic policy in the postwar United States.

The Employment Act did not specify the means by which the federal government was to create and maintain the conditions of high employment. However, even as it was intended to commit the nation to high employment, the Act finally passed by Congress in February, 1946 was also written with the purpose of limiting the extent and kind of government intervention into the economy in the name of full employment. The term "full employment" was omitted from the Act precisely because it seemed to open the door to goal-setting by the federal government. The Act put the government under obligation not to those who were "willing and able" to work but to a more restricted group who were "able, willing and seeking" to work. To be the object of the government's concern under the Employment Act, a person must have tested the job market by actively seeking work.

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*Chamber of Commerce of the United States. Council on Trends and Perspective. High employment and income maintenance policy: a report of the Council on Trends and Perspective. Washington: Chamber of Commerce of the United States, 1976: 1-17. Reprinted by permission of Chamber of Commerce of the United States, 1615 H Street, N.W., Washington, D.C., 20062. Copyright 1976.

The Employment Act set more or less explicit limits on what the federal government might do. It specified "useful" employment, implicitly ruling out government creation of make-work jobs as the means for achieving high levels of employment. It stated that the federal government should carry out its responsibilites in ways consistent with "other essential considerations of national policy." Though unstated in the Act, it has been widely agreed that some modicum of price stability is such an essential consideration. The Act directed the government to exercise its responsibilities in ways that "foster and promote free competitive enterprise and the general welfare." Such phrases might be vague and subject to various interpretations. However, they have been interpreted as limiting the extent to which the federal government in the pursuit of an undefined goal should intervene in the market economy, substitute bureaucratic for market judgments, and replace private economic activity.

The Employment Act of 1946 was an acknowledged offspring of Keynesian economic thought. Ten years before its passage, it was not widely believed that governments *could* create and maintain the conditions of high employment without fairly detailed central direction of the economy. It was in 1936 that John Maynard Keynes, in *The General Theory of Employment, Interest and Money*, outlined a macroeconomic theory which offered a formula by which government could act in behalf of high employment without intervening extensively into the market economy. Against the conventional neoclassical economic thinking of his day, Lord Keynes argued that in unplanned market economies there could be chronic insufficiency of demand. This could occur if the combined spending of consumers and investors fell short of the levels needed to support "full" employment of resources. The government, said Keynes, was needed and had the means to correct an insufficiency of aggregate demand, either by stimulating private investors and consumers to spend more or by increasing expenditures on its own account.

It is worth recalling today that the Employment Act of 1946 was passed in preference to an original bill which embodied some quite different lines of thought. The Full Employment Bill of 1945 provided for what many of its architects as well as its opponents viewed as the mechanism for national economic planning, a detailed "National Production and Employment Budget" that included the investments and expenditures of private businesses, consumers, and state and local governments as well as the federal government. The original bill also provided for an annual "full employment program" of the President. This would have included among other things "such measures as may be necessary to assure that monopolistic practices with respect to prices, production, or distribution, or other monopolistic practices, will not interfere with achievement of the purposes of this Act." Passing the Employment Act of 1946 in its final form, Congress implicitly rejected as the means for achieving high employment both national economic planning and a programmed assault on the supposed monopolistic structure of industry, which some supporters of the Full Employment Bill believed to be a major cause of less-than-full employment. It instead embraced the Keynesian notion that the government could create and maintain conditions of full employment by assuring an appropriately high level of aggregate demand. In the subsequent thirty years, the nation's full employment policies have been primarily macroeconomic policies focused on aggregate demand. The term "full employment policies" indeed has been a virtual synonym for aggregate monetary and fiscal policies.

Another kind of employment policies, manpower policies, did gain considerable attention and emphasis in the nineteen-sixties. Manpower policies in the United States have been concerned mainly with labor supply, aiming to increase the productivity and mobility of the labor force. Their principal emphasis has been on the disadvantaged, with programs designed to upgrade the employment and earning potential of people whose lack of marketable skills seemed to make them particularly prone to unemployment and underemployment or employable only at very low wages. In the nineteen-sixties, manpower policies came to be viewed as a potentially important supplement to macroeconomic policies. It was observed that even when the economy was operating at close to full capacity and there was a high demand for workers, some people were unemployed because their skills were insufficient or unsuitable for the available jobs or because they simply lacked information about job openings. Training or retraining people with few or obsolete skills and matching jobseekers more rapidly with available jobs, it was thought, could lower the unemployment rate, raise the potential output of the economy, and increase the earning potential of disadvantaged people. Manpower policies clearly could work only to the extent that macroeconomic policies assured high levels of demand. Upgrading the skills of unemployed and underemployed people could do nothing to improve their employment and earning potential if the jobs in which they could use their newly acquired skills were not available. To date there is not much evidence that the manpower policies and programs initiated in the nineteen-sixties were especially successful. Whether or not they might have been, if pursued more vigorously or under more favorable economic circumstances, is a question still being debated.

"Something else is needed"

For most of the past thirty years, demand-oriented macroeconomic policies seemed to work acceptably well. The business cycle did not disappear, to be sure. However, in the quarter century from 1946 to 1971, the nation enjoyed fairly rapid secular growth of output, employment, and real incomes. There was on-going debate throughout this period over what unemployment rate constituted "full employment" and it was observed that the United States, along with Canada, secularly had higher rates of unemployment than most other industrialized countries. However, since World War II, the rate of unemployment in the United States has been a serious matter of concern mainly during periods of economic recession. Unemployment has been viewed primarily as a cyclical problem requiring no basic redirection of economic policy but rather improvements and refinements in monetary and fiscal policies.

Within the last three or four years, for the first time since the passage of the Employment Act of 1946, the nation's thirty year-old approach to "full employment" has begun to be quite seriously challenged. The challenge involves more than criticism that monetary and fiscal policies are being administered improperly or that they need to be supplemented to a greater degree by conventional kinds of manpower policies. The criticism is more basic. It is rooted in serious doubts that the traditional full employment policies are any longer the right economic policies or the right employment policies.

The doubts have several sources. Some scientists, environmentalists, and economists concerned with the long-term aspects of growth have become increasingly skeptical that management of aggregate demand represents a sufficient national economic policy in an era when the nation must be concerned with environmental quality; rising prices of energy, food, and natural resources; global interdependencies of increasing importance; and possible long-term limits to growth. More immediate and politically compelling, however, are doubts that management of aggregate demand, whether or not a sufficient national economic policy, can any longer be relied upon to assure high employment and acceptably low unemployment.

These latter doubts are quite obviously rooted in the recent performance of the economy. In 1975, on the eve of the Employment Act's tricennial, the United States by conventional economic indicators suffered its worst economic recession since the Great Depression. The annual unemployment rate reached its highest level since 1941, just before the American entry into World War II. In 1974–75, the economy experienced the highest rates of increase in consumer prices since the postwar inflation of 1946–48. If 1975 could be explained by special circumstances as an extraordinarily bad year, the fact remains that the future does not look altogether reassuring. Most economic forecasts suggest that both unemployment and inflation are likely to remain through the end of the decade at rates well above any that the nation's postwar experience has led people to expect or to regard as normal. The approach that policymakers have relied upon in the past to reduce the unemployment rate, namely, expanding aggregate demand, seems now to add to inflation without being very effective in lowering unemployment to former levels. With no more precise diagnosis of the problem than this, an increasing number of people seem receptive to assertions that the old policy approaches to full employment no longer work and that in their stead we need "something else."

National economic planning

The quest for "something else" has brought a revival of interest in national economic planning, an idea that had been dormant in the United States since the Full Employment Bill of 1945. The renewed interest in national economic planning, to be sure, does not grow wholly out of concern for full employment. It seems to have surfaced two or three years ago out of a convergence of concerns for the environment, energy, and perceived "shortages" of a number of commodities and materials. Initiatives in favor of national planning have been supported by a long-standing segment of opinion that resources could be allocated more "rationally" or in more "socially desirable" ways if allocation were not left entirely to market forces. There can be no question, however, that the high rate of unemployment in 1975–76 has brought national planning to the fore as a serious political issue. Since the spring of 1975, at least three separate planning bills have been introduced in Congress. The most prominent, the Full Employment and Balanced Growth Act of 1976, the so-called Humphrey-Hawkins Bill, is reminiscent in language and purpose of the Full Employment Bill of 1945. It calls for a "Full Employment and Balanced Growth Plan" which would set forth national priorities and long-term goals for employment, production, and purchasing power, including a "full employment" goal equivalent to a national unemployment rate of no more than 3 percent. The bill would provide the federal government with new and broad authority to see that goals are carried out.

Those who believe that planning is needed for "full employment" seem to have several things in mind. Some proponents appear to believe that planning—and the controls that go with planning—would enable the government better to stabilize the economy and to reduce or eliminate cyclical fluctuations in employment and output. Others, including the economic historian W. W. Rostow, have made the argument that sectoral planning of investment is needed to bring the economy back to full employment on a permanent basis; the market mechanism alone, they contend, will not ensure a rapid enough shift of capital out of old, high-cost sectors of the economy into new growth sectors. Finally, some advocates seem to believe that planning—and, again, the controls that go with planning—offers a way for the government to channel resources into sectors of the economy that appear to be "labor intensive" and thus to offer more numerous opportunities for employment with relatively little capital expenditure.

Guaranteed employment

There has been a revival of support for the idea of guaranteed employment, which had also been discussed thirty years ago in the context of the Full Employment Bill of 1945. Many proponents of "planning for full employment" as well as some others who oppose national planning believe that the concept of "full employment" requires a guarantee of employment at some specified wage rate to anyone and everyone who wishes to work at that wage, with the government backing this guarantee as an employer of last resort. A crucial issue in guaranteed employment, of course, is the wage rate. The higher the wage at which employment is guaranteed, the larger the number of people who could be expected to seek public employment, and, hence, the greater the probable redistribution of income and resources from the private to the public sector. Besides those already working at lower wages in the private sector, a considerable number of people previously outside the labor force could be expected to come forth seeking guaranteed jobs at an attractive wage. The Federal Reserve Chairman, Arthur Burns, last year proposed guaranteed employment at something less than the federal minimum wage. The Humphrey-Hawkins bill, as it defines "fair rates of compensation," suggests a much higher average wage in guaranteed employment, hence a much larger-scale program of public employment.

Incomes policies

There has been relatively little discussion of so-called incomes policies since the lifting of wage and price controls in April, 1974. The issue of wage and price controls, however, is never far from that of full employment and national economic planning. It is generally conceded today that attempts to reduce the national unemployment rate very rapidly to the 3 to 4 percent range through expansion of aggregate demand are likely to be so inflationary as to bring on pressures for wage and price restraints, particularly in key sectors of the economy where business and labor are alleged to have non-competitive pricing and wage-setting powers. Some economists, including the former Chairman of the Council of Economic Advisers, Herbert Stein, see reimposition of wage and price controls, if it should occur, as the critical step that is likely to lead to national economic planning.

Background of the Council Study

The Council on Trends and Perspective undertook this present study in the latter part of 1975, believing then that the nation was rapidly coming to a crossroads in its thinking about full employment policy. The Council was concerned by the problem of high unemployment and the apparent difficulties of dealing with it. It was equally concerned by the presumption implicit in many of the currently proposed remedies: that in order to have "full employment" today we need the extensive government intervention into the economy that was detoured thirty years ago by the Employment Act and the promise of Keynesian economics.

THE IMPORTANCE OF THE NATIONAL COMMITMENT TO HIGH EMPLOYMENT

In undertaking its study, the Council on Trends and Perspective took seriously the charge of the Employment Act of 1946, believing that the issue of "full employment" today and in the foreseeable future is the same one that it was in 1946: how, not whether, the nation should create and maintain conditions under which people who wish to work can find useful employment with minimum delay and difficulty. In the Council's view, the problem of unemployment is a serious one that may present a serious threat to the economic and political system.

This is despite the fact that unemployment clearly does not have the same economic significance today that it did in the nineteen-thirties or that it did even ten or fifteen years ago. The unemployment rate used to be regarded as a fairly good indicator of economic hardship. Today unemployment and economic hardship are largely separate problems. The composition of the labor force is quite different now from twenty, thirty, or forty years ago. A far larger percentage of job holders and job seekers today are not the sole earners in a household. Present-day public income maintenance programs not only guarantee a minimum income or a minimum amount of purchasing power for all Americans; in some cases they offer people who are jobless higher incomes than are earned by other full-time working people.

Neither is the rate of unemployment a very good indicator today of the amount of unused productive capacity in the economy or of the manpower resources available for economic growth. High employment today is not necessarily synonymous with low unemployment. There have been important changes in labor force behavior in the last decade or so that have destroyed any simple inverse relationship between employment and unemployment. To a far greater degree than twenty or thirty years ago, people today move in and out of the labor force in response to changes in job opportunities. When employment opportunities increase, people tend to enter the labor force at a greater rate; when employment declines, many people leave or stay out of the labor force rather than seek jobs which do not seem to be available. As a result, changes in the level of employment today often have a greater effect on the size of the labor force than on the level of unemployment. The unemployment rate may rise and remain high today at the same time that the percentage of the working age population who are employed (the employment-population ratio) is rising.[1]

A high unemployment rate today does not necessarily mean that there are large numbers of people available for work at prevailing wages. The national labor force statistics provide no information on the kinds of jobs or the wages that the unemployed are seeking or the conditions under which they would accept work. To the extent that rising labor force participation rates have pushed up the unemployment rate, there is no way of knowing whether the additional jobseekers are serious about wanting to work or realistic in their salary expectations. On the other hand, there are some people who do wish to work at prevailing wage rates whose joblessness is not reflected in the unemployment rate. The unemployed who have been absorbed in public manpower programs, for example, are counted as employed. Some people who wish to work but believe there are no jobs available stop looking for work and are not counted as unemployed but instead as "not in the labor force." A virtue of the sort of guaranteed employment program suggested by Dr. Burns is that it would provide a market test of how many people—both among the unemployed and outside the labor force—*are* available and *do* want to work at a given (in this case, fairly low) wage rate.

From this discussion, one may correctly conclude that the official unemployment rate is no longer a reliable single indicator on which to base macroeconomic policy decisions. One may also correctly conclude that a high unemployment rate today is not by itself evidence that aggregate monetary and fiscal policies have failed. Growth of aggregate demand may cause employment to increase quite rapidly without drawing down the unemployment rate.

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[1] The statistics on employment and unemployment from which the unemployment rate is calculated are derived from the monthly Current Population Survey, a 47,000-household sample survey conducted by the Census Bureau. Persons counted as employed are those age 16 and over who during the survey week did any work for pay or profit or worked 15 hours or more as unpaid workers in a family enterprise. Persons who were not working but had jobs or business from which they were temporarily absent for noneconomic reasons (illness, bad weather, vacation, labor-management disputes, etc.) are also counted as employed.

Persons counted as unemployed are those age 16 and over who were not working during the survey week, who made specific efforts within the previous four weeks to find a job (such as applying to an employer, visiting an employment service, checking with a friend, etc.) and who were available for work during the survey week, except for temporary illness. Also classified as unemployed are persons on layoff from a job and persons waiting to report to a new job within thirty days. All other persons age 16 and over who are not employed are classified as "not in the labor force."

It does not follow, however, that unemployment is no longer a serious problem. When people cannot find or cannot get the jobs they want, it is inevitably a source of social problems and a source of pressures on government to act quickly, to "do something." This is true whether or not people are suffering severe economic hardship as the result of their joblessness. It is true whether or not those who wish to work are counted officially as unemployed. And, unfortunately, it is true regardless of the reasons why they do not have jobs: whether, for example, it is because the economy is operating at less than full capacity; because the jobseekers themselves have inflated or unrealistic job and salary expectations; because the jobs people want have been priced out of the market by the minimum wage; or because the people themselves have been effectively excluded from the labor force by the disincentives of welfare or by institutionalized retirement. That present labor force statistics provide a poor indication of either the nature or the depth of real problems in the labor market simply increases the probability that these problems will be improperly diagnosed and treated with the wrong policy medicine. Labor force statistics can, and should, be improved.

If recent initiatives such as the Full Employment and Balanced Growth Bill indicate one thing, it is this: However unemployment is measured, whatever its real significance, and whatever its cause, the appearance that human resources are underutilized can be a serious threat to the economic and political system. It offers critics of the system an argument that, however wrong or simplistic, may nonetheless be politically compelling: the argument that the private market economy cannot generate enough jobs. In the nineteen-thirties and at the end of World War II, national economic planning and extensive government control and direction of the economy were urged on the grounds that they alone could assure "full employment." The significance of such legislative proposals as the Full Employment and Balanced Growth Bill is that in the face of seemingly intractable high rates of unemployment the same arguments can still be revived today.

The uncertainty of growth

The nation's unemployment rate has been dropping fairly steadily since mid-1975. Employment has been rising quite rapidly and the percentage of the working age population actually employed has been increasing, although in the second quarter of 1976 it had not yet regained the high rates of 1973 and 1974. As the economy continues to improve, high unemployment may recede as an immediate political issue.

However, this does not detract from a longer-run concern: that over the next decade the nation may not have the economic growth required to assure high employment and high levels of real income. As the Council on Trends and Perspective argued in its report, *Economic Growth: New Views and Issues*, slow economic growth is neither desirable nor inevitable. However, depending in large measure on the direction of national economic policies, it could be a reality with adverse social and political as well as economic consequences.

Economic growth

Over the next decade or so, the American economy will have to adjust to what has been called a global "revolution" in prices. Producers and consumers will have to adapt their technologies and patterns of consumption to energy prices substantially higher than in the last quarter century, probably to higher world food prices, and almost certainly to raising environmental costs. The more rapidly such changes can be made, the better. The longer producers and consumers are locked into high-cost patterns of consumption and production, the greater the inflationary pressure on the economy and the heavier the drag on growth of incomes and standards of living.

In a period when the economy will need to undergo substantial structural changes in response to changing relative scarcities, economic growth will require far more of economic policy than that it assure a steady growth in aggregate demand. National economic policies will also have to encourage innovation and assure a sufficiently high rate of saving and investment. Large investments will be required to develop new products and technologies. Rapid and broad-scale changes in technology imply a high rate of capital replacement not only in industry but in the household sector as well. The requirements for capital replacement will add to the need for saving and investment. To assure growth, economic policies will have to facilitate mobility of labor and capital out of industries where the costs of energy, materials, and environmental damage are high relative to the value of output and into those where the ratios are lower.

Inflation poses a serious potential threat to growth. Prolonged inflation at rates close to those of 1974 and 1975 might be expected seriously to depress saving and capital formation. Although inflation is by no means inevitable, the risk seems fairly great. Moreover, much as one would like to believe otherwise, there is a possibility that inflation will be dealt with by wage and price controls, particularly if it is accompanied by high unemployment and more particularly if it is perceived as "cost-push" inflation. The apparatus for controls presently exists in the Council on Wage and Price Stability. Easing into controls could occur within the next few years without either much fanfare or much searching consideration. If wage and price controls were adopted as the means for containing inflation, prices would be made useless as indicators of relative scarcity. This could be expected seriously to discourage innovation and to impede mobility of labor and capital with adverse consequences for economic growth.

Labor Force Growth

Some forecasters have pointed to the likelihood that a slowing of labor force growth over the next fifteen years will ease the problem of maintaining full employment. It is true that the working-age population (the population age 16 and over) will increase at a considerably slower rate in the nineteen-eighties than in the previous two decades—by a little over 9 percent as compared to about 17 percent in each of the earlier decades. The so-called prime-age group, the 25–54 year-old group that traditionally has had the highest rates of participation in the labor force, will be growing somewhat faster than in the past—by about 22 percent during the nineteen-eighties as compared to 6 percent and 18 percent in the two earlier decades. However, the number of teenagers and young adults (age 16 through 24) will actually decline by some 16 percent in the nineteen-eighties. This population group increased by 48 percent in the nineteen-sixties and will have grown by about 16 percent in the nineteen-seventies. The number of people age 55 and over will increase more slowly in the nineteen-eighties, by about 7 percent as compared to 18 percent in each of the two earlier decades. If the labor force participation rates of individual age-sex groups in the working age population were to remain unchanged from 1975, population changes alone would cause the labor force to grow from about 95 million in 1975 to 114 million in 1990, an addition of 19 million people in fifteen years. In short, the absolute growth of the labor force from 1975 to 1990 would be only 4 million less than the increase of 23 million that took place from 1960 to 1975.

It is very difficult to predict how the propensity of the population to work and seek jobs may change in the next ten or fifteen years. The labor force participation rates of different groups in the working-age population are likely to depend not only on future demographic trends but in large measure on such economic variables as the number and kind of job opportunities available, wage rates, and the relative attractiveness of alternatives to work. Projections published in 1973 by the Bureau of Labor Statistics show the labor force participation rates of women in all age groups under 65 rising during the nineteen-eighties, although at a slower rate than during the nineteen-sixties and -seventies. Declining participation rates were projected for men in all age groups. Based on population changes and assumed trends in participation rates, the BLS is projecting labor force growth at an average annual rate of 1.2 percent in the first half of the nineteen-eighties. This compares to the actual rate of 1.8 percent from 1960 to 1975.

While it is not a purpose of this report to second-guess such projections, it may be well to caution against concluding from them that slower labor force growth is certain either to occur or to ease the problem of maintaining high employment and low unemployment in the next decade. The projections may understate the labor force growth that will come from the now very rapidly increasing numbers of women heads of households. They may be upset by the rising cost of higher education and its apparently declining value as an investment in lifetime earning potential. Already over the past four or five years there has been a significant decline in the percentage of college-age youths enrolled in college programs. There has also been some decrease in the school-leaving age at the secondary level. Of those young people who do continue with higher education, it seems inevitable that most will in the future have to work at least part-time, as many now do, in order to live and finance their education.

The state of the economy in the years ahead can be expected to influence labor force participation. In the past three decades, economic growth, bringing with it new job opportunities, rising wages, and increasingly attractive working conditions, has drawn more people than anticipated, particularly women and teenagers, into the labor force. For this period, the official labor force projections of the BLS turned out in retrospect to be too low. It could be that if the United States were to have slow economic growth in the decade ahead, fewer people than anticipated would enter the labor force to seek jobs. On the other hand, prolonged inflation, if it should occur, might well change patterns of labor force behavior. The experience of 1974–75 suggests that inflation and slow real growth may draw second and third family members into the labor force in an attempt to maintain real family incomes. Inflation could well reverse the trend toward earlier retirement. Rising prices would almost certainly eat into the value of savings and private pensions. Moreover, it is far from clear that in the face of inflation working-age people would tolerate the increases in taxation needed to maintain the real value of public pensions above minimum benefit levels.

If it may not be possible to keep older people out of the labor force through larger public and private pensions, it may also not be so easy as in the past to exclude them involuntarily through an institutionalized retirement age. The elderly are the single group in the population that has not yet flexed its political muscle to insist on equal employment opportunities. As older people become more numerous and if they are harder-pressed economically, they very well may be moved to do so.

The need for a broader view of full employment policy

Over the last quarter century, the nation has taken a somewhat narrow view of the full employment problem and full employment policy. The emphasis on aggregate demand and macroeconomic full employment policies reflects the underlying premise that the level of employment is a fairly simple function of the level of aggregate demand in the economy. Most certainly aggregate demand is an important determinant of employment levels. In the context of the business cycle it is probably by far the most important one. In the longer run, however, the level of employment in the economy depends not only on aggregate demand but on the growth of the labor supply, the availability of capital and other non-labor factors of production, and the relative prices of labor, capital, and other factors of production. No one seriously involved with economic policy has been ignorant that other factors than aggregate demand influence levels of employment. It is nonetheless true that these other factors have not been fully drawn into the framework of thinking surrounding the formulation of employment policy. Public policies that might strongly influence labor supply, capital formation, and the relative prices of labor and capital have not really been thought of as part of the nation's "full employment policy."

A very large portion of economic and social policy does in some way influence employment or unemployment, either directly or indirectly and either in the short run or in the long run. A wide range of public policies influence labor supply; tax policy, educational policy, manpower policy, income maintenance policies, labor relations policy, and civil rights policies, at the very least. Tax policies and regulatory policies have an obviously important influence on rates of saving and investment. Tax policies, labor relations policies, and income maintenance policies all influence costs of labor and capital.

Much of public policy today quite clearly does not contribute to the goal of full employment. In some cases public policies work against high employment and low unemployment. This is not by intent or from lack of commitment to full employment. In the past, the influences of certain policies on employment and unemployment were assumed to be trivial, small enough to be washed out by macroeconomic policies. Over the years, however, policies have changed and the structure of the economy has changed. Old assumptions may no longer hold true.

It is the belief of the Council on Trends and Perspective that a careful and systematic review of several areas of public policy is in order to see how well current policies contribute to the goal of full employment and to determine how they might be made better to do so. This is a task of some urgency. The risk exists that slow growth, inflation, and chronically high unemployment in the next few years could push the nation toward large-scale public employment and national economic planning.

The Council has chosen in this study to focus on one area of public policy: income maintenance and related social welfare policies. There is a two-way connection between income maintenance policies and employment. On the one hand, income maintenance programs take care of people who are unable to work or who through their own efforts do not earn enough to live on. On the other hand, they change the way work is rewarded, affect labor costs, and exert an influence on the rate of economic growth. In the forty years since the Social Security Act of 1935 laid the groundwork for the present-day income maintenance system, a good deal of attention has been paid to the first connection. Relatively little has been paid to the second, although income maintenance programs have grown very rapidly over the last decade. Many people may not be aware of what the public income maintenance system is today, much less how it relates to the issue of full employment.

8. FIGHTING POVERTY WITH JOBS: PUBLIC AND PRIVATE PAYROLL WEAPONS*

(By James L. Freund [1])

The controversy over "big government" has been raging for longer than most Americans can remember. In recent years the focus has been on the spiraling cost of the social programs of the Great Society as well as on the size and scope of military spending. Now, a major issue is being raise.

Many people concerned with high unemployment rates and poverty are demanding that the Federal Government rush to the rescue with a "decent-paying" job for anyone who can't land one in the private sector. They feel that everyone who wants to work should have the opportunity, and that the only way to guarantee this is for Uncle Sam to become an employer of last resort. While most would agree with the goal of full employment, the laudableness of the objective should not mask the potential difficulties of direct Government job creation. A lower-cost alternative might achieve the same end by merely increasing incentives for private enterprise.

FILLING IN WITH PUBLIC ACTION

The magnitude of the problem of unemployment suggests that any remedial program would have to be large. In only seven of the last 25 years has the unemployment rate dipped below 4 percent—and usually only because of the "public employment" associated with wartime mobilization. In the average year during that period well over three million workers were out "pounding the pavement."

Even when unemployment is low, certain groups suffer more than others. When unemployment fell to a recent low in October 1973, over twice as many nonwhites as whites were jobless. One in 14 teenagers (many getting a taste of the workaday world for the first time) was jobless, and black teenagers were only half as successful at landing a job than their white counterparts. Even finding employment does not necessarily mean the end of one's woes. Many of the low-skilled have jobs that do not afford enough income to lift their families above the poverty line—this group has been labeled the working poor. In short, for many Americans permanent and satisfactory jobs are an illusory commodity.

In many quarters the belief is growing that the economy just cannot create enough acceptable jobs. New opportunities are hard pressed to keep pace with the normal growth of the labor force. Further, business fluctuations often keep production below capacity, thus creating more unemployment.

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* James L. Freund in Federal Reserve Bank of Philadelphia Business Review, April 1974: 22-29. Reprinted by permission of Federal Reserve Bank of Philadelphia, 100 North Sixth Street, Philadelphia, Penna. 19106. Copyright 1974.

[1] This article is based on research started when the author was an economist in the Department of Research at the Federal Reserve Bank of Philadelphia. He is presently a research associate at the National Bureau of Economic Research.

Past and current efforts

Concern for those who have experienced difficulties in earning a living is not new. Welfare, Social Security, and unemployment insurance are available for those in need. Perhaps more important, the Federal Government has long been concerned with the underlying causes of unemployment; the Employment Act of 1946 pledged the Government to strive for maximum employment consistent with price stability.

Fiscal and monetary policies are the Federal Government's main tools in fighting joblessness; their target is those workers who are idle because of deficient demand. Washington uses these tools to stimulate economic activity so that private firms will hire more workers. Help is also being directed at workers who are unemployed while job hunting—the "frictionally unemployed." As computerized job banks and public placement services make job hunting more efficient, the amount and duration of unemployment associated with finding a first job or changing to a new one is being reduced. Finally, major efforts have been directed at the hard-core unemployed and workers with habitually low incomes. Specifically, many of the social programs of the '60s sought to help by providing training and "proper motivation." The quality of the applicant, not the lack of well-paying jobs, was often considered the primary problem.

Critics claim that these efforts always seem to fall short. Fiscal and monetary policies eliminate some joblessness, but they don't create enough jobs without unacceptable inflationary pressures. Many low-skilled workers are never reached. In addition, these aggregate policies guarantee nothing about the quality and permanency of the jobs created. Programs aimed at "disadvantaged" workers (such as manpower training) undoubtedly enhance enrollees' productivity and ability to compete for existing positions. However, such programs can succeed only when they are tailored to existing job vacancies or coupled with job creation. Despite the progress made so far, the biggest obstacle has been the shortage of "well-paying," permanent jobs relative to number of workers trained. In short, it's argued that Government programs only partially fill the gap between those seeking a job and the positions available.

U.S. Government: Employer of last resort?

Past efforts have fallen short of eliminating unemployment as a social problem, and so the call has been for a direct approach. Why not just have Uncle Sam hire those left out in the cold? The idea is hardly new. Unemployment, as we know it, is rare in countries with totally planned economies because the government provides for total employment in state-owned enterprises. Likewise, in Sweden's welfare state, there is a well-established program to provide employment for those unable to find a job.

Supplementing traditional economic policies with public employment isn't new in the United States, either. One of the most controversial of the New Deal programs to combat the Great Depression was the Works Progress Administration. At its peak, the WPA employed 5 percent of the labor force and absorbed 31 percent of measured unemployment. The cost to the nation averaged about $1.4 billion in direct wages per year to support about two million workers. Its goal was simple: providing temporary income for citizens out of work as a result of adverse economic conditions. The jobs were meant to be temporary, and little or no training was involved.[2]

More recently, the Emergency Employment Act of 1971 created a limited number of temporary jobs to narrow the gap between the number of positions available and the number of jobseekers. As long as traditional policies failed to lower the unemployment rate to 4.5 percent; Federal funds were provided to local governmental units to hire area unemployed.

Proponents of public service employment consider such programs as only a start, arguing that efforts must be broadened and become permanent. As a true employer of last resort, the Federal Government would create jobs for anyone not finding employment. Further, many would argue that full Government responsibility includes providing a "decent-paying" job for those who work but don't earn an acceptable wage by society's standards.

Jobs would be reserved—through eligibility requirements—for those workers not likely to find employment elsewhere. Those who are only temporarily out of work (frictionally unemployed) should not be put on the Government payroll. Eventually they will land a job and are helped in the interim by existing unemployment compensation laws. The demand-deficient unemployed might be aided by public service employment as a stop-gap measure. As business conditions improve, these workers would move off the public payroll to private employment. The cornerstone of recent proposals, however, is the commitment to fight poverty by guaranteeing jobs to all those who suffer *competitive disadvantage* in free labor markets and habitually have high unemployment rates—the young, minorities, and those in depressed areas.

Thus, the main recipients would be the low-skilled for whom the Government is, in fact, a last resort. When these workers secure employment in the private sector, it's often with small and unstable firms. They are laid off and rehired frequently. Benefits are poor, and pay is frequently low. People limited to such jobs are unemployment-prone and their incomes often fall below the poverty line. Public employment would give them a regular job, breaking into the cycle of poverty and the job-market shuffle.[3]

How it would work

A public employment program would differ substantially from its predecessor, the Works Progress Administration. Although the WPA's primary purpose was to provide families with income, much of the disfavor it attracted can be traced to the public impression that recipients just stood around. Partly to avoid such criticism and largely because participants will need remedial training, proposals now stress the creation of positions which make meaningful contributions to society as well as to the individuals involved.

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[2] See Alden T. Briscoe, "Public Service Employment in the 1930's: The WPA," Harold L. Sheppard *et al.*, eds., *The Political Economy of Public Service Employment* (Lexington, Mass.: Lexington Books, 1972), pp. 95-116. The author provides a comprehensive overview of the WPA experience in this selection. It is only one of this volume's many essays on public service employment.

[3] For a discussion of the problems of the poor and these advantages of public employment, see Bennett Harrison, "Public Employment and the Theory of the Dual Labor Market," ibid., pp. 41-75.

For those who might be expected to be on the public payroll for only a short period (demand-deficient causes), temporary positions might be designed to use their present skills. For the "hard-core," more formal plans are necessary. Since many of the recipients would not fit the job categories that are most in demand in the public sector, two schemes have been suggested for running the program.[4] Meaningful new job classifications could be created as spin-offs from established jobs. These would be semi-skilled tasks that would relieve present personnel of responsibilities by assigning part of their work to new employees. For example, local hospitals might train participants as paraprofessionals assisting in areas such as physical therapy and laboratory chores. Teaching aids could relieve educators of tasks such as attendance-taking and supervision of non-classroom activities. Street and highway departments could train participants to assist heavy equipment operators. Policemen could relinquish certain nondangerous duties. In short, new positions would be created, and the new employees would be trained to fill them.

A more traditional approach is also possible. Public employment funds could be used to hire, train, and then employ workers for existing job classifications. In essence, it would be a training program that would meet the failure of many manpower programs in the past—there would be a guaranteed, meaningful position at the end of the training period. In this approach, participants would be employed as full-fledged firemen, building inspectors, nurses, and file clerks.

COUNTING ITS BLESSINGS

When many programs vie for limited funds, any proposal's benefits must be weighed against the concomitant costs—no matter how meritorious the basic objectives appear. The employer-of-last-resort idea is no exception. It must not only accomplish the goal of an adequate job for every qualified family, but it should do so more efficiently than any alternative method.

A chance to do better

Any policy designed to aid people ultimately must rest or fall on its ability to make its recipients better off. Advocates point out several advantages of this proposal in the fight to help the distressed.

1. Public employment, once it is set up, is *fast* and *direct.* Fiscal and monetary policies create jobs through general economic growth and thus involve considerable time-lags and leakages. Disadvantaged workers are often the last to be hired, if they are reached at all, in economic expansions. Likewise, public programs for depressed areas based upon attracting industry may take years to work out. Expenditures on public employment benefit the jobless immediately.

2. For most recipients the program could provide an accessible and steady job. It could be tailored so that many low-skilled workers can be absorbed without lengthy training. Many Government installations are in areas accessible to ghetto residents who constitute a large portion of those left out of the mainstream of the labor market. Moreover, Government could make a conscious effort to locate future

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[4] Harrison reviews the structure of such efforts in detail in "Public Service Jobs for Urban Ghetto Residents," ibid., pp. 231-69.

facilities (or relocated existing ones) in areas that are convenient to low-income and high-unemployment groups. But most important to the recipients, wages are "adequate," there are fringe benefits and there is a reasonable degree of permanency.

3. The "workfare" concept would help to *build specific skills*. If the worker is suffering from an extended period of idleness, being able to work should help keep his knowledge current. For many recipients the scheme would, by providing a steady job, help develop and reinforce work habits. New skills would also be acquired. A possible secondary benefit of the program is the loss of many of these workers to the private sector as their improved qualities as workers merit better jobs.

Advantages to society

By providing a job rather than a cash payment, the public employment proposal has the following basic advantages for society.

1. When idle resources are put to use, society is better off. A jobless worker is not producing clocks, building boats, or painting buildings; getting him to work at any job will create *additional output*. Conversely, if poverty breeds wrongdoing, Government employment may eliminate crimes of desperation.

2. Not only will more be produced, but especially *valuable services* could emanate from the program. Jobs could, for instance, be created at the state or local level. Any mayor or governor can cite many "urgent needs" that could be filled if Washington paid for the training costs and salaries of new employees. City streets could be cleaned, recreational facilities could be built, and neighborhood health clinics could be opened. In short, formerly inactive or low-productivity workers could provide vitally important social services.

ASSESSING THE COSTS

To judge the job-guarantee proposal fairly one must identify all the costs so they may be compared with the benefits. While it's difficult to be precise, the salient cost considerations can be identified.

Direct program costs

The direct cost of the program to the taxpayer would depend on the salary levels and on the number of eligible recipients. The wage rate should provide a decent standard of living, but it must be low enough not to discourage returning to private sector jobs. The number of candidates is difficult to estimate because there has never been an exact count of those on the fringes of poverty—either at work or outside of traditional labor market pursuits.

Neththertheless, estimates have been made as to how big the program might have to be. "Realistic proposals" call for a half to a million jobs, with a million bringing the unemployment rate down more than a percentage point. Some who have studied the problems of the poor come up with numbers as high as three to five million.[5] In addition to those measured as unemployed, these figures include "discouraged workers" and those on a part-time basis who want full-time employment.[6]

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[5] For one discussion of the numbers involved, see Garth L. Magnum, "Guaranteeing Employment Opportunities," Robert Theobald, ed., *Social Policies for America in the 1970's: 9 Divergent Views* (Garden City, N.Y.: Doubleday and Company, 1968).

Such an undertaking might cost anywhere from $5 billion annually for a million jobs to $20 billion for a comprehensive program. In terms of national output, the cost of a comprehensive program would run between 1 and 2 percent of our current national income. If remedial training and placement functions were part of the program, the outlay would be even higher. Any disruptions in normal work patterns of regular Government personnel would up the cost.

Economic costs

The actual expenditures represent the cost to society of the program—net of output produced by previously idle labor. However, there are other costs to be considered. Absorption of many unemployed and low-paid workers will make labor more scarce for those who want to hire the low-skilled and will cause the wages of those remaining outside the program to rise. During the Great Depression this was apparently not a major problem (despite protests from many local businessmen), probably because the program never touched vast numbers of the unemployed. In the more prosperous economic climate of the 1970s, where wage pressures are sensitive to labor market conditions, even a modest program might cause wages to rise as employers compete for the low-paid workers who remain outside the program. Both higher wages costs and lack of availability will endanger the competitive existence of marginal firms and cause costly adjustments of existing production processes.

Having Government services produced by the new public servants is obviously better than having them just standing around or asking for no work in return. But this benefit should not be viewed as costless. By taxing the public to finance the plan, the products that otherwise would have been bought with a good portion of the taxes are not being produced. For instance, fewer automobiles, snowmobiles, and TV sets may be the price for cleaner cities. Or, if the scheme were funded from existing revenues, other programs would have to be curtailed. In this case, new services may be at the expense of superhighways, submarines, or stricter law enforcement. The most likely outcome, it would seem, is that the program would shift some production away from private goods. While better Government services may or may not have more merit than private goods sacrificed, employing the hard-core jobless should be considered on its own merits.[7]

Thus, while the employer-of-last-resort program would reduce unemployment and working poverty, the costs are not inconsequential. Furthermore, implementation of a plan as large as this one begets problems. Many of the expenses and benefits cannot be determined until operations start; setting up the administrative machinery would be both costly and time-consuming. The proposal would inevitably face a barrage of criticism from those who think that the Federal Government is just too large for another "big spending" program. Finally, there is the contention that, because of the lack of profit motive, the new public employees will not be as efficiently used as they would be in the private sector.

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[6] "Discouraged workers" are those who have dropped out of the labor market because acceptable jobs are not available. It is difficult to pin down exactly how many are in this group, but their numbers are substantial in periods of high unemployment. They must be included as potential recipients because many will "drop in" if a good public sector job is available.

[7] Besides the fact that associating a work-relief program with an attempt to provide other social services would be a political liability, one can argue that society was already choosing what it valued most before the program was initiated. In other words, if society wanted cleaner streets rather than snowmobiles, it would have already increased expenditures in that area. While the argument is long-established that public services don't get a fair shake (see J. K. Galbraith, *The Affluent Society* [Boston: Houghton Mifflin Company, 1958]), the exact use to which the recipients of a program are put is really a secondary issue to whether we want such a program at all.

All of this suggests that other policy alternatives for providing jobs for those not in the mainstream of the labor market should be explored, especially plans that motivate private firms toward the same end. To do this, a proposal must correct the circumstances that lead to the present deficiency of "decent" jobs.

PROVIDING MORE JOBS IN THE PRIVATE SECTOR

The horns of the dilemma

A common thread running through explanations for low wages and unemployment is that private firms just do not find it profitable to hire workers at wages society feels are acceptable. For workers with outdated skills, their salaries plus retraining costs outweigh the value of their services. Likewise, some firms that might find hiring younger workers profitable at low wages may be precluded from doing so.

Textbooks often cite one way of eliminating the problem. If workers were willing to take lower wages, firms would find it profitable to put more workers on the job. Over longer periods, given product demand, businesses would use more labor relative to machines. As matters stand, many factors keep wages from falling in periods of high unemployment. Unions are one powerful force preventing wage cuts. Another institutional constraint for wages on the jobs normally available to marginal workers is the minimum wage law. This law prohibits firms engaged in interstate commerce from paying an employee less than a fixed minimum regardless of age, skills, or the value of his labor to the employer.

Thus, the problem of assuring a decent job for every American is double-edged. Present real wage levels are apparently too high to guarantee full employment. But even if wages fell low enough so that everyone could find a job, unemployment would merely be replaced with the working poverty of low wages. What is needed is a policy that will make jobs profitable for firms *and* mean enough income to keep working families above the poverty line.

Two ways to help

The problem can be viewed as a gap between minimum standards and profitable levels of wages for a large class of workers who are having difficulty finding permanent employment. One way to eliminate the gap and encourage private employers to absorb the unemployed is to let wages fall and supplement them with a payment to the worker. Minimum wage laws could be eliminated, and workers could accept the reduced wages dictated by economic conditions. The Federal Government would make up the difference between any substandard wage and the level which assures each family an acceptable standard of living. Plans that accomplish this, such as the negative income tax, have been on the drawing boards for many years; the beneficial employment effect of encouraging wage flexibility at the same time has not often been discussed.

Another plan, wage subsidies, would attack the gap from the other end. Recognizing the difficulty of convincing people to accept lower wages, private employers could be paid allowances for hiring the unemployed or for raising wages of very low-paid workers. In effect, the Government would be lowering the price of labor to the firm. Like a shopper tempted by a sale, it is expected that more of the sales item would be bought.

Such a wage-subsidy program has been attempted on a limited scale both at home and abroad—when dealing with problems of depressed areas and disadvantaged labor.[8] Clearly, to be effective the details of such a program must be worked out. Like direct job-creation by the Federal Government, the full costs would only be known if the plan were actually implemented.

Income-maintenance and wage-subsidy schemes have several advantages. They would not require the vast administrative effort of direct public employment. In both cases business would still have the incentive to be as efficient as possible since it would be footing part of the bill. Although taxes would be used to finance the schemes, the preferences of the public would continue to determine what was produced. Theoretically, those industries that were the fastest-growing would be the most likely to hire new workers. This includes the already expanding government sector.

FIGHTING POVERTY WITH JOBS

Giving everyone an opportunity for meaningful employment is a goal that has wide support. Movements in the unemployment rate and successes in the fight against poverty are everyday concerns in the press. However, the moot question is whether there is a viable way to provide income through jobs for all.

Claiming there's a need for new weapons hardly rules out traditional means. Creating jobs through stimulating the economy or by upgrading labor skills can be productive, but they have not been enough. One option for going further is *direct* Government action. Washington can create jobs and decide which programs should receive the additional personnel. Alternatively, one can rely on the mechanisms of the private sector to succeed where it previously had failed by providing subsidies as an incentive.

Using subsidies has the advantage of precedent. The Federal Government has a long history of subsidizing both worthy and questionable economic goals. Moreover, with certain exceptions, the private enterprise system has performed efficiently in the past. Combining the strong points of each sector may prove to be the most effective way of building jobs and income over the long haul.

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[8] The British have used a wage-subsidy program to stimulate employment in industries in lagging areas. See William Miernyk, "British Regional Development Policy," *Journal of Economic Issues* 3 (1969): 33-42. In the United States, the WIN II program attempts to find jobs for employable welfare recipients. AFDC (aid to families with dependent children) clients are evaluated to determine what they need to become employable and are then placed in on-the-job or classroom-training programs. Employers contract with WIN to hire trainees after graduation, receiving both a tax credit and a trained worker.

9. JOIN: A JOBS AND INCOME PROGRAM FOR AMERICAN FAMILIES*

(By Robert I. Lerman[1])

SUMMARY

The weak state of the national economy has deepened the problems of low income and high unemployment. High inflation rates have hurt the poor and near-poor by raising the prices they pay relatively more than the incomes they receive. And the attempt to control inflation has led to high and growing unemployment. Current Government programs reduce these burdens for some, but too often they are inadequate, unfair, unproductive, and inefficient. Benefits to some poor families are well below the poverty level or zero while benefits to other poor families are worth as much as the average job. The many income maintenance programs add to administrative costs and worsen the benefit inequities among equally poor families. Nearly all income maintenance programs deal with unemployment or inadequate earnings by providing direct benefits, neglecting to assure sufficient job and earnings opportunities. One recent proposal to help the unemployed would compensate the long-term unemployed with extended unemployment insurance benefits. However, by paying added amounts to people who do not work, this proposal might actually increase unemployment.

This paper makes the case for a jobs and income program to replace the existing welfare system and to reduce poverty and unemployment. The proposed new program, called JOIN, is based on the philosophy that guaranteeing a job to every family is the best policy for relieving the worst burdens of high unemployment and for raising chronically low earnings. JOIN would achieve the following objectives:

(1) Insure that every family or single individual had access to one public job or one private job at a subsidized wage.

(2) Replace the welfare system with a more equitable, more efficient and more work-encouraging program. The new program would provide national payment standards, narrowing the current wide disparities by State; it also would improve substantially the incentives for family stability.

(3) Reduce the unemployment rate at little or no cost in increased inflation; and

(4) Limit the budget cost of overall welfare reform to $9 billion or less.

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* Robert I. Lerman in Studies in public welfare: Paper no. 19, Public Employment and Wage Subsidies. U.S. Congress, Subcommittee on Fiscal Policy of the Joint Economic Committee, Washington, U.S. Government Printing Office, 1974: 3-7. QQQQ

[1] The author is an economist in the office of the Assistant Secretary for Policy, Evaluation, and Research, U.S. Department of Labor. He formerly served as staff economist, Subcommittee on Fiscal Policy. The author acknowledges the important contributions to the formulation of JOIN made by Jon Goldstein and the work of Arnold Packer. The author also thanks Vee Burke, Garry Hendricks, Alexander Korns, and Alair Townsend for their many helpful suggestions. Hendricks and George Chow of the Urban Institute deserve credit for performing the computer simulations used in this paper.

What Is JOIN?

JOIN is a comprehensive jobs and income program. Its jobs component would offer one public job or one wage subsidy benefit to every family and single individual. If JOIN were introduced in 1975, the wage rate in the public job would be $2.30 per hour, or $4,600 per year for full-time, year-round work.[2] The wage subsidy payment would equal one-half of the gap between $3 and the worker's wage. For example, a worker with a $2 per hour job with a private firm would be eligible for a subsidy payment of 50 cents per hour, or one-half of $3 minus $2. Workers earning less than $1.80 per hour would be ineligible for a wage subsidy payment and presumably would seek a public job.

JOIN's income component would go only to one-parent families with at least one child under age 14. These one-parent families would be eligible for a cash grant in addition to the opportunity for a public job or a wage-subsidized job. Like the current aid to families with dependent children (AFDC) program and a negative income tax proposal, JOIN's income component would provide a maximum payment to families with no other income and partial benefits to families with private income. Unlike AFDC and the negative income tax, JOIN would offer both an income guarantee and a job guarantee to one-parent families. Total net income guarantee to one-parent families of four would be $3,344.

All JOIN recipients would be subject to a surtax on their earnings and on their nonemployment income. The surtax, which would partially recoup JOIN benefits from some families and discourage participation by others, would insure that JOIN benefits went to the neediest families and individuals and would allow for differential treatment of different types of families. The surtax payment would equal 25 percent of all family earnings above some amount of disregarded earnings and 50 percent of all family nonemployment income. The earnings disregards would vary from 0 for single individuals and one-parent families with at least one child under 14, to $3,000 for married couples with no children under 18, to $5,000 for families with children under 18. Thus, a JOIN worker heading a family with children which had no other earnings and no nonemployment income would face no surtax until his earnings reached $5,000. But a single individual's first dollar of earnings would be subject to a 25-percent surtax. The immediate 25-percent surtax would reduce the value of the JOIN job guarantee to single individuals from $2.30 to $1.73 per hour.

The introduction of JOIN would coincide with (*a*) the elimination of the AFDC, AFDC-unemployed father (UF), and food stamp program; and, (*b*) the replacement of the $750 personal exemption deduction under the Federal income tax with a $170 tax credit. The tax credit would be refundable in the sense that credits not used to reduce tax liability would be paid in cash to the tax filer. Since the $750 personal exemption is more valuable than the $170 tax credit to families of four with income tax rates of 22 percent or more, most families with incomes of $17,500 or more would pay increased taxes.

The entire package would produce minimum after-tax income opportunities to all families and individuals with a full-time, year-round worker of $4,510 to two-parent families with two children under 18, $3,837 to married couples with no children, and $3,012 to single individuals. In comparison, the national average benefit guarantees available to these groups as of July 1972 were $2,431, $1,362, and $914.[3]

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[2] This is the wage rate for all workers other than the following: single individuals and 1-parent families with at least 1 child under age 14, whose effective wage would be $1.73, and childless married couples, whose effective wage would be $2.10. Effective wages differ because of the imposition of a surtax described below.

What Does JOIN Cost? By How Much Does JOIN Raise the Incomes of the Poor and Near-Poor?

The net budget cost of introducing JOIN and the tax credit and eliminating AFDC, AFDC-UF, and food stamps would be about $9 billion in 1975.[4] Federal expenditures would rise by $6.6 billion, and the loss in projected tax revenues would equal $2.4 billion. Although State and local governments would save some welfare funds, some of this money would be used to prevent income losses for current recipients. States also would be encouraged to use the rest of their savings to improve emergency assistance and temporary disability programs.

A modified, less comprehensive JOIN program could achieve substantial cost savings while continuing to raise income opportunities for most poor families. The net budget costs of JOIN would fall from $9 to $6 billion simply by excluding single individuals between age 18 and 22. Alternatively, at a gross direct cost of $4.5 billion, one could provide the JOIN job guarantee and wage subsidy components to all two-parent families and childless couples and retain existing income support programs.

The estimated gains in income to the poor and near-poor from the comprehensive JOIN program are substantial. Although the poor would lose food stamps, they would gain an aggregate increase of $7.8 billion in cash income. Almost two-thirds of JOIN's cash gain would go to families with incomes below $4,000. The largest families would benefit most. For example, JOIN would raise the average cash incomes of six-person families in the $0-$3,999 class from $2,418 to $4,328.

Many families currently receiving AFDC also would benefit financially from JOIN's replacement of AFDC. Although the JOIN plus tax credit income guarantees would be smaller than current guarantees in high payment States, and lower than the median State AFDC payment plus food stamp bonus, JOIN families could keep a higher percentage of their earnings and other income without losses in benefits than under AFDC, and JOIN would guarantee a job in addition to cash income supplements. The estimates show that JOIN would increase the average cash incomes of AFDC families whose total pre-JOIN incomes were less than $3,000 from $1,979 to $3,195.

How Does JOIN Create Productive Public Jobs?

The problems of creating productive jobs; of assigning, supervising, and disciplining workers; and of adjusting job flows for timing and geographic variations raise questions about whether a job guarantee program is practical. JOIN's job creation mechanism is designed to operate as efficiently as possible. Nevertheless, unexpectedly large administrative burdens could add to program costs.

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[3] These were the average annual cash and food benefits available in 100 nationally representative countries, weighted by the distribution of the poverty population, for families with no income. See U.S. Congress, Joint Economic Committee, Subcommittee on Fiscal Policy, *Welfare in the 70's: A National Study of Benefits Available in 100 Local Areas*, by James R. Storey. Paper No. 15 (Washington, D.C.: Government Printing Office, 1974), p. 5. Note, since July 1972, food stamp benefits have been increased by 23 percent on average.

[4] This net budget cost does not reflect the higher taxes many would have to pay because the tax credit raised their tax liability above what they would be using the current personal exemptions.

JOIN would establish a public corporation to administer its job guarantee component along the lines of Canada's successful local initiatives program (LIP). Since 1971, LIP has sponsored 15,000 projects and created over 250,000 jobs; evaluators found that community leaders believed 90 percent of the jobs produced worthwhile public goods and services. JOIN would follow much of the LIP design by soliciting proposals and granting contracts to individuals, nonprofit institutions, and government units. Project sponsors would have to sign contracts specifying exact tasks to be performed and their dates of completion. JOIN administrators would monitor the projects and would have the power to cancel or suspend projects not fulfilling contract provisions.

How productive the public jobs are in practice will determine to a large extent the success of the entire JOIN program. The specter of large numbers of people working in wasteful jobs or pursuing poor work habits is a serious concern. But JOIN public jobs also have great potential for good. Although job creation problems will be difficult in the first few years, experience will surely improve the ability to utilize JOIN workers effectively. JOIN could tap the idealism of many young people by encouraging them to devise and to run projects that productively employ the Nation's most disadvantaged workers. Such a result is not pure speculation. Many project sponsors who participated in Canada's LIP program came out of the experience with the belief that their Government listens to citizens' ideas and acts to help achieve them. JOIN could also improve the unemployed workers' self-image by making him a contributing member of society.

How Does JOIN Help Reduce Unemployment?

Attaining low unemployment and low inflation is an increasingly difficult task. The limited uses of general tax, expenditure, and credit policies have stimulated a search for other tools to reduce unemployment and to cushion its effects on the poor. JOIN offers a partial way out of the unemployment-inflation dilemma. Among JOIN's advantages as an employment expansion tool are: (1) JOIN public jobs would reach the most disadvantaged workers, who generally are in slack labor markets; (2) JOIN's wage subsidy to low wage private employment would limit JOIN's cost-push effects; and (3) JOIN's assurance of a job to all families and individuals, even in slow economic periods, would spread the burden of economic restraint more equitably.

JOIN also would help to change attitudes about unemployment. Some citizens believe that unemployment is the worker's fault, that plenty of jobs are normally available, but that workers simply refuse to accept the available jobs. Other citizens believe that steady jobs are difficult for disadvantaged workers to find, even in periods of low unemployment. JOIN would help settle the argument by assuring a large share of workers a job. Whichever view is more correct, JOIN would serve a useful purpose. If few workers actually accepted JOIN jobs because of their expectation of better jobs, JOIN would demonstrate at low Government cost that unemployment for most workers does not mean the absence of jobs, but the absence of good jobs. If many workers did accept JOIN jobs, then JOIN would show that the unemployed are willing to work even at low wages. More important, JOIN would utilize manpower which otherwise would have been unemployed or underemployed.

Why Is JOIN Superior to Standard Public Service Employment Programs?

JOIN differs significantly from most public service employment (PSE) programs, including the ones enacted under the Emergency Employment Act (EEA) of 1971 and the Comprehensive Employment and Training Act (CETA) of 1973. PSE programs provide financing for a fixed number of moderate-wage jobs; JOIN would guarantee jobs at low wages to all families and individuals. PSE programs add jobs directly only in the public sector; the JOIN wage subsidy could help stimulate added private jobs. PSE programs create new public jobs solely through the State and local government bureaucracies; JOIN would utilize nongovernmental institutions as well as Government agencies to perform useful projects with new public workers.

JOIN would create more jobs than PSE programs for any given Federal expenditure and total increase in aggregate demand. JOIN's lower wages are one reason for the larger job creation effect. The other is the greater tendency for PSE programs to help State and local governments use Federal dollars to refinance old jobs rather than creating new ones. JOIN's higher employment impact per dollar of demand would help make its inflationary effect lower.

JOIN would excel over PSE programs in targeting jobs to the disadvantaged. This is an advantage both on equity and on antiinflation grounds. By hiring only workers whose alternative opportunities are poorest, JOIN would help workers in slack labor markets within the economy and thereby limit any wage pressure that could stimulate inflation. In contrast, PSE programs hire workers whose qualifications are similar to the average worker's and whose alternative jobs may be as good as 35 percent of full-time, year-round workers. Thus, the wage pressure generated from added PSE jobs may be as high as from general increases in demand. JOIN's equity advantage is substantial. PSE programs provide a large benefit to a small percent of eligible workers and little or nothing to the rest. JOIN would guarantee a public job or would subsidize a private job on the same terms to all families with similar needs. JOIN also would improve the equity of the entire income support system by helping most those eligible for the lowest current benefits, such as poor single individuals and childless couples and all poor persons in low-payment States.

10. EMPLOYMENT GUARANTEES SHOULD REPLACE THE WELFARE SYSTEM*

(By Arnold H. Packer [1])

AN OPEN LETTER TO THE GHOST OF JAMES MADISON

Mr. Madison, you and the other Founding Fathers prophesied that economic concerns would wither away if only the political structure you created would endure for a few generations. Well, Mr. Madison, as we approach the 200th anniversary of your handiwork, the millennium has not arrived. It is still mundane economics, not the philosophies and fine arts, that consumes most of our intellectual energies.

I imagine, Mr. Madison, that you thought the country would prosper and that you believed in the diminishing marginal utility of income. Well, part of your prediction was correct. I dare say we must be at least as affluent as you imagined. But, unfortunately, your view of human nature has been too charitable. Having more hasn't made us want less. We don't measure our income against a fixed standard, but rather continue to look enviously at how well our peers are doing. However, don't be too disappointed with your countrymen. Recent surveys suggest that the importance of relative income is worldwide.

We have yet to solve the fundamental dilemma of income distribution: How can we eliminate poverty without eliminating the reward for working? But we are making progress. For a long while, almost a hundred and sixty years, we didn't even think there was a dilemma. Those who didn't work didn't eat unless their family or some charity helped out—that tradition of self-reliance you bequeathed us.

Then forty years ago, well after the decadent countries of Europe, we began to realize that not everyone could work. In 1935, the Social Security Act was passed to take care of the aged and disabled, the widows and children, and the temporarily unemployed.

Thus our society institutionalized, in government, the responsibility to support those who couldn't or shouldn't work. As a nation we had passed the Rubicon and recognized that in our affluence we had a responsibility to these people. Of course, recognizing and discharging the responsibility are two different things. But given time and a mechanism, the country does reasonably well. As of July 1974, the Social Security Administration will pay its average retired couple $310 per month, and the aged poor couple not under Social Security will receive $230 from the Supplemental Security Income (SSI) program.

But, contrary to what you expected, Mr. Madison, the solution to one economic problem seems only to expose another, more difficult challenge. Some beneficiaries of the Social Security Act, many of those receiving Aid for Dependent Children (AFDC), can work and do work more than occasionally. Therefore, we now have to face the problem of distributing rewards among potential workers. What should be provided to single parents who have children, and what about the working poor? We recognize that the existing welfare system will not do, but as yet we cannot decide on an alternative—welfare reform, a negative income tax, wage subsidies, public sector jobs or what. That, Mr. Madison, is our current problem. Perhaps when we solve it, inflation, the energy crisis, campaign financing, and a few other things, we will be able to leave economics for philosophy and art, maybe on our 300th birthday.

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* Arnold H. Packer in Challenge, v. 17, March–April 1974: 21–27. Reprinted by permission of M. E. Sharpe, Inc., 901 N. Broadway, White Plains, N.Y. 10603, publisher of Challenge. Copyright 1974.

[1] Arnold H. Packer is Assistant Secretary for Policy, Evaluation, and Research at the Department of Labor. He is the author of Categorical Public Employment Guarantees: A proposed Solution to the Poverty Problem, written for the Joint Economic Committee (April 1973). The views expressed do not necessarily represent those of any organization with which he is associated.

Categorical job guarantees

The solution to the problems of welfare and the working poor is to provide jobs for those who can work, support for those who can't, and some combination of work and support for those who can work only some of the time. The trick is to accomplish this equitably and efficiently—at a cost the public will accept. Moreover, the program must not create incentives for fathers to desert their families or leave those who work feeling that they would be just as well off on welfare. It is proposed that the following arrangement will come close to satisfying these criteria.

The proposal's keystone is a guarantee of a fulltime job for one person in every family. Every family that contains one or more children would be entitled to one job paying one-half the median family income, that is, a wage of approximately $3.00 per hour and an income of about $6,000 in 1974. No other option would be guaranteed to families that contain two able-bodied adults of working age.

The same guarantee of a full-time job would also apply to single-parent (primarily female-headed) families. However, these families would have other options as well. The single head of a family with children could also choose, if he or she preferred, a guaranteed half-time job paying three-eighths the median income ($4,500 in 1974). The hours of the half-time job would conform to the school year, say 40 weeks of work at 25 hours per week. Both half- and full-time job guarantees would be considered fulfilled under the same conditions: when the earnings of one family member or the total unearned income received by the family exceeded one-half the median income.

These two options—full-time or half-time employment—would be the only alternatives open to single-parent families unless there were preschool children. Single-parent families with preschool children could choose to forgo both work options and elect, instead, to receive a welfare payment equal to one-quarter the median income ($3,000). Families without children and unrelated individuals would also be guaranteed full-time employment. However, the wage would be less—three-eighths the median ($4,500) for childless families and one-quarter ($3,000) for single individuals.

The various options are shown in the table. In addition to creating job guarantees, the plan would eliminate minimum wage laws and most in-kind programs such as food stamps and public housing.

Why guarantee jobs?

Every society must continually reconcile the fundamental objectives of efficiency and equity. The reconciliation is reflected in income distribution. A society so inhumane as to be concerned solely with efficiency would let those without the capacity to earn a living starve—and this includes the children of the unemployed. On the other hand, a society so muddle-headed that it passes out financial rewards equally and without regard to productivity may soon find that everyone is equally poor. Therefore, we must seek a compromise that is both humane and productive. However, our distribution—in which the poorest fifth among U.S. families receives about one-eighth as much income as the richest fifth—may be neither humane *nor* productive. The poorest fifth is the subject of most income-maintenance schemes. It turns out, coincidentally, that these are the families whose incomes are less than half the median. About a third of these families are headed by an aged person and another third by females. The remaining third are poor two-parent families.

CATEGORICAL JOB GUARANTEES—OPTIONS AND FRACTIONS OF MEDIAN FAMILY INCOME AVAILABLE TO SPECIFIED DEMOGRAPHIC GROUPS[1]

	Guaranteed employment[2]		Noncarned benefit
	Fulltime	Halftime	
Families with children:			
2 able-bodied adults of working age	½	None	None
Single-parent families:			
Without preschool-age children	½	⅜	None
With preschool-age children	½	⅜	¼
Families without children:			
Aged or disabled[3]	None	None	¼
Not aged or disabled	⅜	None	None
Unrelated individuals:			
Aged or disabled	None	None	3/16
Not aged or disabled	¼	None	None

[1] The median income was $11,100 in 1972, and is projected to increase at a rate of approximately 6 percent annually.

[2] Guarantee is exhausted when any family member obtains employment providing income equal to or exceeding the guaranteed wage or when unearned income exceeds this amount.

[3] Persons legally designated as disabled (permanently or temporarily) could elect to take the applicable employment option.

It is the mixed demographic character of the poorest 20 percent that makes the welfare problem so complex. In addition to the tension between equity and efficiency, there is a conflict between what may be called *work equity* and *support equity*. We are torn between the Protestant work ethic—those who sow shall reap—and the Christian charity principle of supporting the needy. The Welfare Rights Organization has called for welfare incomes of $6,500, more than half the median family income. And Gallup polls over the years report that the public agrees that half the median family income is the minimum necessary for a family of four "to get along." Unfortunately, $6,500 is approximately the average take-home pay for a worker with three dependents.

Most people would be offended by an income-maintenance system that provides a factory worker no more take-home pay than the welfare recipient who either cannot or will not work. Those who decry Archie Bunker and bemoan proverty in the midst of our "affluence" should recognize that Archie and his friends take home only $6,500 a year. The average production or nonsupervisory wage is only around

$4.00 an hour. That is a gross income of $8,000 for a full year—before tax deductions, union dues and work expenses.

However, it is consistent with both work and support ethics to see to it that a family head who wants to work can earn an adequate income. Even Archie is likely to agree that, in this complicated age, it is society's responsibility to guarantee every family head the opportunity to make a living. At the same time, every able-bodied family head should be willing to work full time all year if the family contains another adult able to take care of the children. That is the line of reasoning that leads to job guarantees. However, the same ethic may lead to other solutions, and so the guarantee idea should stand the test of comparison.

Why not something else?

The poverty problem is not new, and there is no scarcity of proposed solutions—welfare, welfare reform and negative income taxes; job training and equal educational and employment opportunities; and public employment or wage subsidies. Why is the guaranteed-job scheme likely to be a better solution than these others?

The tax-and-transfer approach includes a negative income tax and all the variants of welfare reform. Certainly some taxing of the nonpoor to support the poor who are aged, disabled or have preschool-age children will be necessary. The problems arise when income transfers are used to aid the working poor. A successful negative income tax program must reconcile support and work equity. However, it is difficult to find a formula that provides adequate support to nonworkers without discouraging the poor who can work. For example, a $3,000 minimum support level which declines fifty cents for each dollar earned means some aid for everyone up to incomes of $6,000. This formula fails on all accounts: $3,000 is not enough to live on (no support equity), a tax rate of 50 percent is unfairly high at these income levels (no work equity), and a program this "generous" would cost too much to be politically viable. The welfare reform proposal that was defeated last time had only a $2,400 minimum support and a tax rate of 67 percent.

How would guaranteed employment compare? The proposed scheme also provides only $3,000 to a nonworking family. But it allows the family many choices for increasing that income from other sources (such as part-time employment, Social Security survivors' benefits and disability payments)—and allows it to keep most of what it earns. The plan would be even more expensive than welfare reform: perhaps $12–$15 billion for a total program. However, Social Security expenditures increased by $35 billion over the last six years, and so the question is not only cost but whether what's bought is worth the price. There is no right or cheap answer to poverty, but rather, a solution which is politically best because it conforms most closely to what the public thinks fair and efficient.

Tax and transfer schemes, whether implemented or proposed, have not been politically attractive. The demogrant idea proposed by candidate George McGovern ($1,000 for every person) went nowhere. And everyone agrees that the current welfare system should go someplace where it can be forgotten. The current welfare system fails because (among other things) it tries to separate the workers from the nonworkers but succeeds primarily in separating fathers from their families.

Can categorical job guarantees avoid this pitfall? Some say that the moment benefits are categorical—that is, depend on family status—incentives to alter family status are created. However, family structure incentives are inevitable whether the program recognizes family status or not. Even a demogrant would create incentives to live together—and have a larger family if one more mouth could be fed for less than $1,000 a year. Moreover, the job program described earlier is designed to be neutral. A single woman would have little to gain financially by having a child. And a father would have little financial reason to leave his family. He would have to take one child to be eligible for a family head's job, and then the family would gain access to a second job or $3,000 only if there was a preschool-age child. If a husband wants encouragement to leave the bosom of his family, it will have to come from another source. It is true that a woman whose youngest child has entered school might have an incentive to have another child to avoid losing her $3,000 stipend. But why, when she could work half time and increase her income by 50 percent?

The current welfare system not only encourages the father to leave his family but also tempts recipients to hide earnings or other income. This failing would be true of negative income tax schemes that have tax rates of 50 or 67 percent. There may be some incentive to be dishonest in the proposed job-guarantee program also. But it is much less venal than the cheating encouraged by the current welfare program. Under guaranteed employment, cheating provides only an extra job—not extra unearned money.

Another problem with welfare programs is the income "notches" they create. Earning the last dollar that takes one off the welfare roles means the loss of many dollars in welfare and ancillary benefits. The sum of public housing, Medicaid, food stamps and related programs costs more than AFDC. These extra benefits often make leaving welfare a financial disaster. This is a problem that a negative income tax is supposed to cure, but it would be difficult to do without penalizing many current welfare recipients. In general, the notch problem is not as difficult under a guaranteed-job arrangement. The family head can moonlight; other family members can work; and, except that normal taxes must be paid, there is no penalty until some second family member passes the $6,000 income mark. Moreover, the family head may be successful enough at his guaranteed job to encourage his public employer (or someone else) to offer him, or her, a regular job at a higher salary.

If and when another worker in the family earns $6,000 or more, the family head would no longer be eligible for the guarantee. At first blush earning the last few dollars creates a severe penalty. The family's income will drop from $11,999 to $6,001 as the second worker's salary passes the $6,000 mark. But obviously it doesn't have to be that way. If a man's wife gets a raise from, say, $5,009 to $6,500, he can quit the program and go get the best job he can in the open market. More importantly, a notch at an income of $11,999 hardly appears to be a social problem.

The strength of the plan is that there is nothing to keep the family head from going out and seeking the best job he can and forgetting the guarantee. In fact, there is nothing in the plan that *forces* any-body to do anything, or to forgo any promising opportunity. Only the government is forced to guarantee that every family head can have a job at a "decent" salary if he wants one and that a single parent can get a job that conforms to the children's school year.

All of the welfare plans, negative income taxes, and demogrants are plans to support the poor without asking anything in return. The political difficulty of upsetting work-equity values in this way has led many economists and politicians to seek a solution to poverty via a change in the distribution of earned income. (If we divide the population into five income groups, almost two-thirds of the income differences among the quintiles are a result of variations in average earnings per worker—a combination of lower wage rates and sporadic employment.)

One vehicle for changing earned income is the human capital approach, which includes equal educational opportunity, job training, fair employment laws and so on. The approach has been challenged on empirical and theoretical grounds. Job training hasn't fulfilled its promise. Christopher Jencks, in Inequality, has challenged the premise that education influences income. Lester Thurow has suggested that the economy generates the income distribution and that educational differences determine only who will be at the end of the line. As a wise old lady once said, everyone can't be above average. Another tactic is to use macroeconomic policy to maintain a condition of overemployment in which employers are forced to upgrade their workers. Recent inflation experience suggests the price of that policy is too high.

Thurow's *market-structure approach* discards the optimism of human capital and holds that unless the labor market itself is changed we all can't be better off—irrespective of investments in education or training. Thus, without structural change there may always be a dual labor market. One market will have good, steady, well-paying jobs for those who have made it, while the other will offer sporadic, unpleasant, dead-end jobs to those who haven't.

Minimum wages laws are a historic attempt to change the market structure. Unfortunately, the minimum wage rate is always too low to allow a breadwinner to support his family yet high enough to eliminate many jobs that secondary family workers would otherwise take. Noncategorical public employment-of-last-resort encounters the same problems. If the program gives a job to everyone, it will either be too large, pay salaries that are too low, be too expensive—or have all of these disadvantages.

The point is that if Junior or the ne'er-do-well husband of a successful woman executive (or, parenthetically, the wife of a well-paid husband) can't find an adequate job, it is no great social loss. But a father who can't maintain his family's economic well-being or respect because he bounces from dishwasher to delivery "boy" creates an unacceptable situation. That is the problem to be met and solved.

The simplest solution is the most direct one: guarantee family heads a job at an adequate income. The judgment here is that adequate means half the median family income and twice that given to welfare families. Making the guarantee categorical—one per family—means that the help can be focused where the problem is and the cost be kept within bounds. The net cost of the whole program—salaries less the savings on welfare, food stamps, and public housing—is likely to be less than one percent of GNP.

Those who have agreed with the argument up to this point might still believe that subsidized employment is a better idea. That is, find some way to make up the difference between whatever a family head makes in the private sector and the target of $6,000. Wage subsidies have a number of attractive advantages. The public cost may be less because the government need pay only the difference between the private wage and $6,000. Moreover, wage subsidies would not disrupt current market structures very much. Finally, the work now done by family heads in low-wage jobs may be more socially useful than assignments dreamt up in pubic employment.

However, wage subsidies are inferior to guarantees on two important counts. Subsidies create powerful incentives for collusion between employer and employee. Rather than agree on a rise that will reduce the subsidy, it is to everybody's advantage to arrange for hidden payments enabling boss and worker to split the government's payment.

Secondly, distrubing existing labor markets may not be all bad. Why should the public subsidize private employers who do not upgrade jobs? Job guarantees will force desirable changes throughout the job market for family heads who earn close to $6,000. Their employers will have to make wage-job condition offers that compare favorably with the new jobs. Thus, in contrast to welfare programs that drive Archie Bunker up the wall, categorical job guarantees should look good to most blue-collar workers. However, such a program won't be without problems.

Mechanics and problems

A typical response to the job-guarantee proposal is: How would it work, and where would you find the jobs? It might operate this way. A person goes to the Federal Employment Service office in his city and declares that he or she is a family head living with his or her children and that no other family member is earning $6,000 annually. The Service then has a limited time, say ten working days, to check the applicant's eligibility and find him a regular job, in either the public or the private sector, paying at least the guaranteed wage. If the job search is unsuccessful, the applicant is placed in a "special" public-sector job paying $120 per week. The Service is required to maintain a list of these special job openings so that it will always be able to accommodate any applicant it cannot place in private or regular government jobs.

What could these people do? Well, for one thing, they could be contracted out—at full pay—to private industry. Many firms are willing to pay $3.00 an hour for temporary employees. The rest of the job opportunities consist of urban beautification workers, school and hospital assistants, playground attendants, traffic directors, and so on. Some success has been reported in experimental public employment programs in Canada and New York City.

Administration will, no doubt, be a serious headache; and maintaining the morale of other government workers won't be easy; However, if the most difficult problem in society is to find useful work for the welfare clientele, then—for God's sake—let's not give the hardest problem to the least talented. The cynic may say that these people can hardly do worse than many government employees who get paid much more than $6,000 to study poverty. And the optimist will hope that the government has enough ingenuity to use these free resources in an imaginative and productive manner.

There are other problems. Firms that stand to lose current employees to these public-sector jobs will be hurt. And in some regions there will be many such firms. However, to a great extent this will be good riddance to a bad system. There should be little regret at the passing of the sight, familiar in many southern towns, of grown men waiting for an employer to come to town to offer them a day's work for ten or fifteen dollars. Moreover, these employers will still be able to offer employment to the childern and wives of these men—and without concern for minimum-wage laws. Or, these firms can hire labor from the government on a contract basis.

Some women may be unhappy about categorical job guarantees because the plan reflects a judgment that the family is the basic sociological and economic unit and thus may threaten the job of the family head's spouse. Some women whose husbands earn middle- or upper-class incomes and who themselves hold vulnerable government jobs may lose those jobs to male or female family heads (but those women who have the necessary professional or secretarial skills these family heads lack needn't worry much.)

However, the women who need liberation most will benefit greatly. A third of the families in the lowest quintile are headed by females. These women will have many more opportunities—including the opportunity of re-acquiring the husbands who left them so that their families could become eligible for welfare. The wives of men who will earn a decent, steady living for the first time or whose wage will be bid up by the presence of the job guarantees will surely welcome being liberated from poverty.

The guarantee will put inflationary pressure on the bottom end of the wage scale. But since the guarantee is written in terms of median income, the inflation must ultimately be the mechanism that transfers real income from the higher income groups to the lowest one. That means that most of us who read (and write) this magazine will get somewhat smaller raises while the lower group catches up. (Those unfamiliar with the data may be shocked to find out how "rich" they are. An income of $15,000 in 1972 put a family in the top third of the income distribution, and $20,000 put it in the top 15 percent.)

Job guarantees along the lines described above might increase the share of the income pie going to the poorest 20 percent by two percentage points (from 5.5 percent to 7.5 percent of the total). Most of the increase would come from the highest 20 percent, as it should if income distribution in the United States is to be more humane.

The program will be difficult to administer. It will take an extraordinary amount of imagination to motivate the army of workers to do productive work in the face of a guarantee. Unless there is proper planning, private and public labor markets will be disrupted. Certainly experimentation should precede full-scale operation. Unfortunately, there are no easy, problem-free solutions to poverty.

B. SELECTED BIBLIOGRAPHY ON THE ROLE OF THE FEDERAL GOVERNMENT IN GUARANTEEING FULL EMPLOYMENT OPPORTUNITIES

B. SELECTED BIBLIOGRAPHY ON THE ROLE OF THE FEDERAL GOVERNMENT IN GUARANTEEING FULL EMPLOYMENT

The bibliography which follows draws heavily on the debate surrounding what role the Federal Government should play in achieving full employment, beginning with the debate on the original Full Employment Act of 1945 and continuing up to the debate on the current Humphrey-Hawkins proposals to amend the Employment Act of 1946. The bibliography is in three parts. Part 1 is a bibliography of selected books and pamphlets. Part 2 is an annotated bibliography of selected articles. Part 3 is an annotated bibliography of Congressional publications. The bulk of the citations are from the computerized Congressional Research Service Bibliographic Data Base created and maintained by the Library Services Division. Kurt Beske, Economics Bibliographer, designed the retrieval strategies and produced the working bibliography from which most of these items have been taken. The articles, congressional publications, and books were selected by Dennis Roth, Analyst in Labor Economics and Relations in the Economics Division. Call numbers appearing after the cited books are those assigned by the Library of Congress.

In using the bibliographies one point should be noted by the reader. These bibliographies were chosen so as to reflect an overall balance on the debate topic. Consequently, any particular entry may represent only a single viewpoint. The reader should, therefore, determine the objectivity of each particular item taken from the bibliography.

Resolved: That the Federal Government Should Implement a Program Which Guarantees Employment Opportunities for all U.S. Citizens in the Labor Force

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Vietorisz, Thomas. Mier, Robert. Harrison, Bennett.

Full employment at living wages. In Planning for full employment. Philadelphia, American Academy of Political and Social Science, 1975. (Annals, v. 418, Mar. 1975) p. 94–107.

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Author maintains that in a cash economy, "it is essential that a source of income other than wages be available both to persons who are unable to work—because of age or disability, temporary dislocation, or responsibility for young children or other family members—and to persons unable to earn enough to maintain a minimum level of living."

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"A bill to establish a national policy and nationwide machinery for guaranteeing to all adult Americans able and willing to work the availability of equal opportunities for useful and rewarding employment."

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C. HOW TO SECURE ADDITIONAL INFORMATION ON THE ROLE OF THE FEDERAL GOVERNMENT IN GUARANTEEING FULL EMPLOYMENT OPPORTUNITIES

C. HOW TO SECURE ADDITIONAL INFORMATION ON THE ROLE OF THE FEDERAL GOVERNMENT IN GUARANTEEING FULL EMPLOYMENT OPPORTUNITIES

1. BOOKS AND ARTICLES

In order to be aware of the latest books and magazine, periodical, and newspaper articles on Federally guaranteed full employment the debater may wish to consult such indexes as the *Reader's Guide to Periodical Literature*, a guide to general and non-technical periodicals; the *Bulletin of the Public Affairs Information Service*, a subject list of the latest books, pamphlets, government publications, reports of public and private agencies, and periodical articles; and the *International Index to Periodical Literature in the Social Sciences and Humanities*, an index to select American and foreign journals. The *Book Review Digest* offers a subject index to reviews of current books appearing in selected periodicals. The *New York Times Index*, the *Wall Street Journal Index*, and the *Christian Science Monitor Index* are relatively long-standing indexes to newspaper articles. More recently, the Bell & Howell Newspaper Indexing Center has compiled indexes for the *Chicago Tribune*, the *Houston Post*, the *Los Angeles Times*, the *New Orleans Times-Picayune*, the *San Francisco Chronicle*, and the *Washington Post*.

2. GOVERNMENT PUBLICATIONS

Additional sources of valuable information on Federally guaranteed full employment are hearings and debates in Congress. The "Monthly Catalog of United States Government Publications," issued by the Government Printing Office, provides an index to Congressional hearings, reports, documents, and committee prints. Within the catalog Congressional publications are arranged by committee and the documents are in turn indexed in the back of the volume by subject. The *Congressional Information Service Index to Publications of the United States Congress* provides abstracts of Congressional documents.

If the documents are not available in a school or local library, they may be obtained, if still in print, by writing directly to the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

The *Congressional Record* contains Congressional debates as well as relevant articles and speeches. Accordingly, it is a valuable source of information. It appears daily during the sessions of Congress with an index which is issued approximately every two weeks. At the end of a session, bound volumes of *The Record* are published, one of which contains an index covering the complete session. The researcher should be alert to the fact that pagination differs for the daily and bound editions of *The Record*.

Publications Relating to the 1978–79 College Debate Topic*

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Employment of Disabled and Vietnam Era Veterans in the Federal Government. *This is the first of projected semiannual reports by the U.S. Civil Service Commission to Congress, about the implementation of the Vietnam Era Veterans Readjustment and Assistance Act*, 1975. 148 p.
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